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2002

Limits to Growth?

Regional Economic Outlook: 2001 & 2002

February 15, 2001
MetroCenter Auditorium, Oakland
8:30 am - 12 noon

Map labels: Sonoma, Napa, Yolo, Sacramento, Contra Costa, Alameda, Stanislaus, Merced, Santa Clara, San Mateo, San Francisco, Marin, San Joaquin.

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Limits to Growth?

Joseph P. Bort MetroCenter Auditorium
101 Eighth Street, Oakland, California

Regional Economic Outlook: 2001 & 2002

8:30 am Registration and Coffee

9:00 am Welcome and Overview

9:10 am The California Outlook: Will the Good Times Continue?

- U.S. Economy on Solid Ground
- California is Focus of New Economy
- Stock Options Boosting State Incomes
- Electricity Market Dysfunctional

Ted Gibson

Chief Economist

California Department of Finance

9:50 am Bay Area Outlook: Back to Basics

- Is the High Tech Boom Over?
- What Factors Will Influence Growth?
- Can We Power Our Economy in the Future?

Paul Fassinger

Research Director

Association of Bay Area Governments

10:30 am Break

10:45 am Business Climate: Afraid to Spend?

- Taxable Sales Forecast
- Recent Commercial Construction Activity

Brian Kirking

Senior Regional Planner

Association of Bay Area Governments

11:15 am 2001 Economic and Housing Outlook

- Economic Activity — Slowing, But No Recession
- Housing Market Will Remain Healthy

Robert Kleinhenz

Senior Economist

California Association of Realtors

11:45 am Questions and Answers

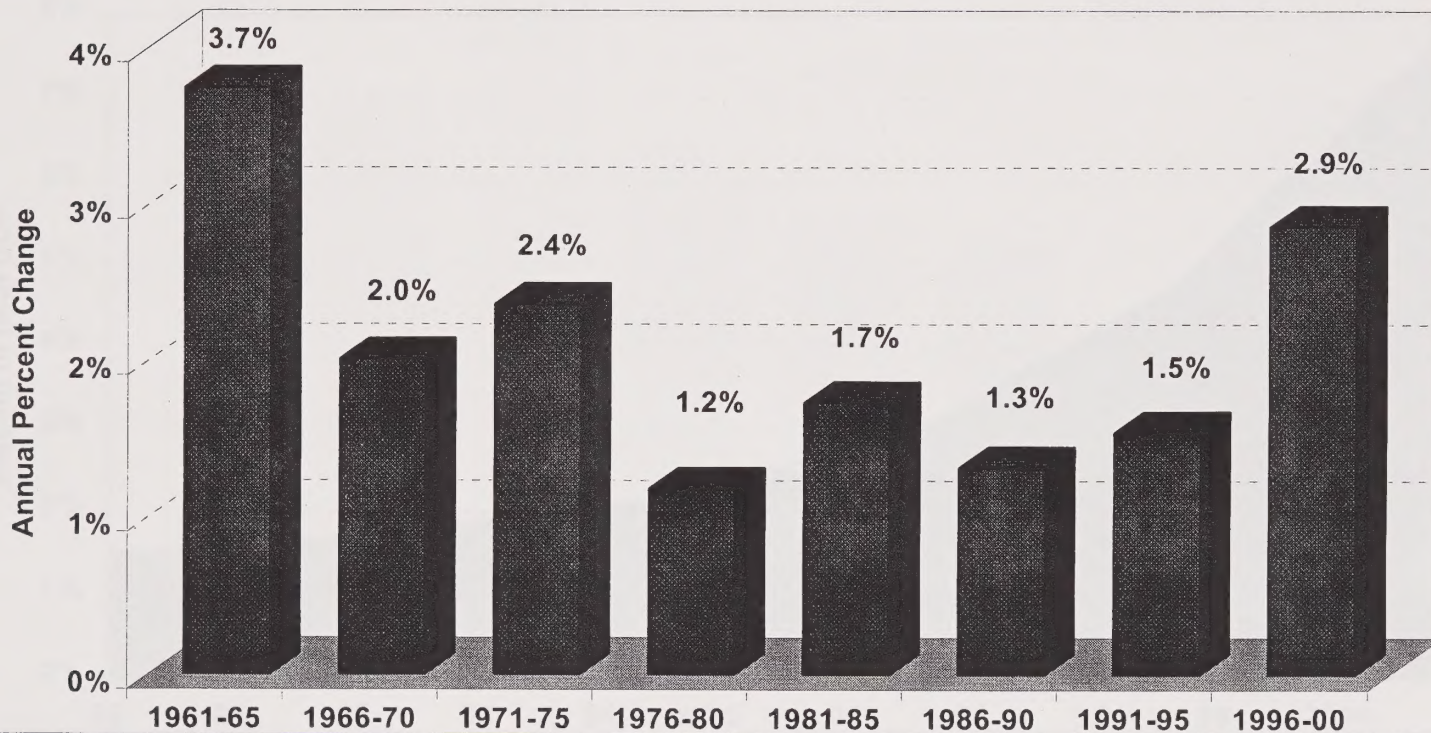
The California Outlook: Will the Good Times Continue?

Ted Gibson
Chief Economist
California Department of Finance

US Economy on Solid Ground

— Productivity is the Key

Output per Hour (Productivity)
Nonfarm Business



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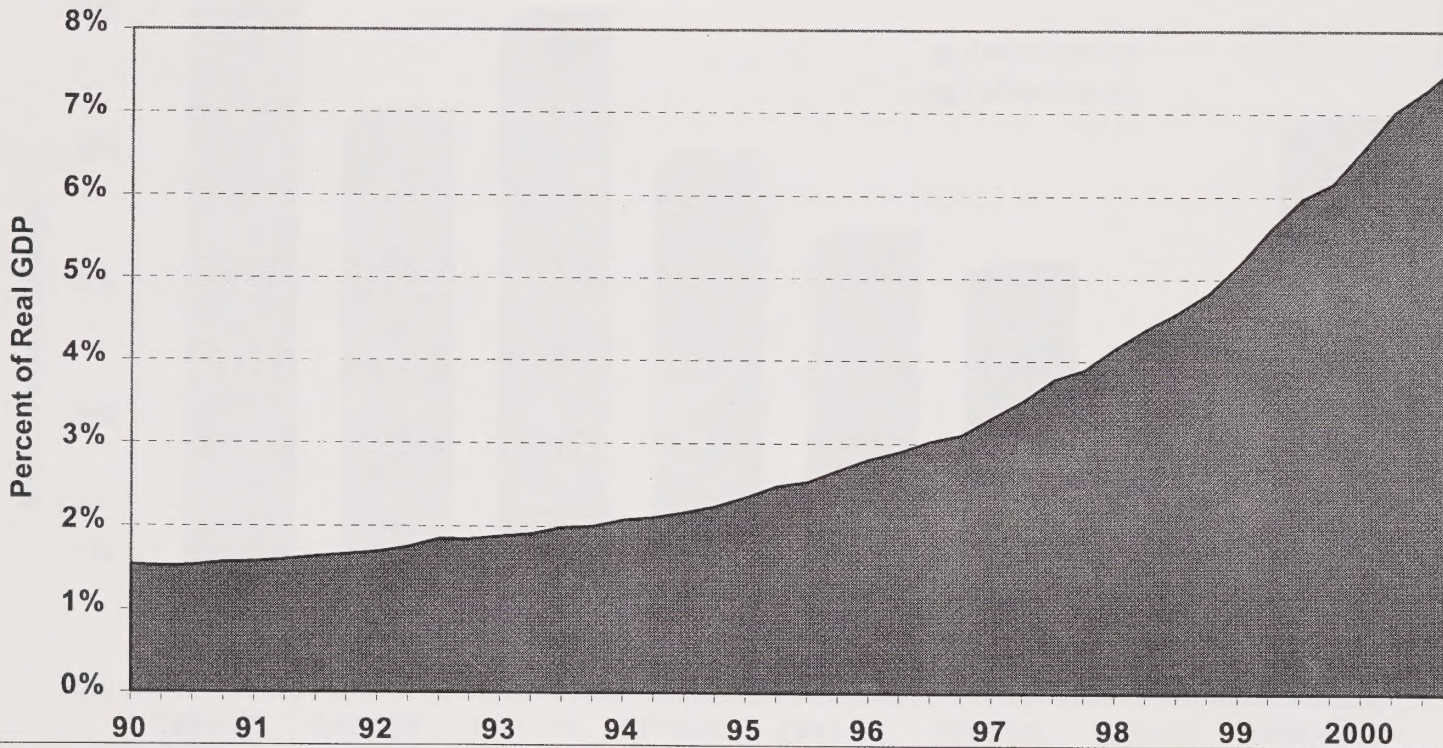
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Limits to Growth?
Regional Economic Outlook

Productivity Gains Traced to Massive Technology Investments

Technology Investment's Share of GDP
Communications Equipment, Computers, Software



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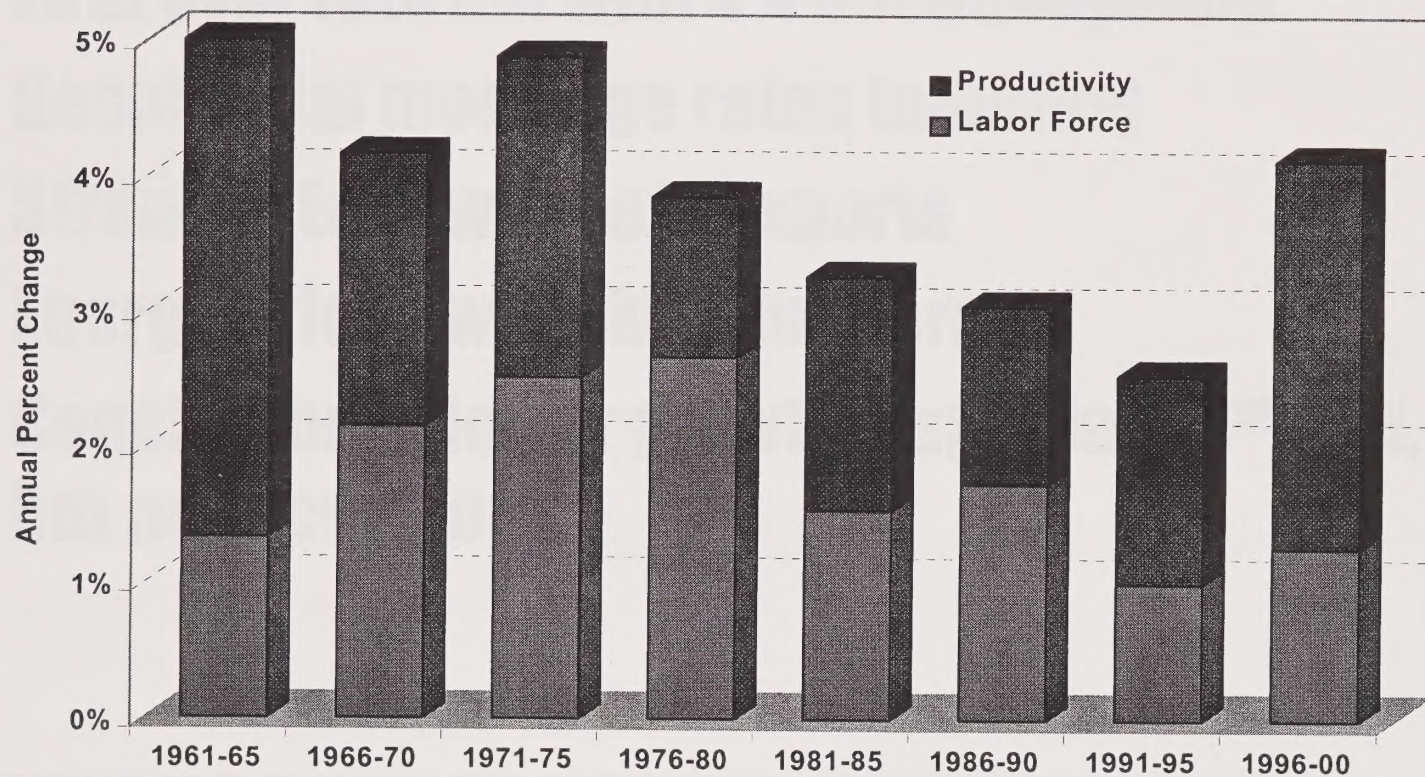
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Limits to Growth?
Regional Economic Outlook

The Payoff: Higher Potential Growth, Even as Labor Force Slows

Potential Economic Growth



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Limits to Growth?

Regional Economic Outlook

US Worries Seem Overdone

- **Aggressive Federal Reserve move:
First ever rate cut with 4% unemployment**
- **Residential mortgage rates tumbling**
- **Stronger Euro will help exports**
- **Energy prices will likely moderate**
- **Conclusion: Slower growth, especially 1st half,
but no recession**



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Regional Economic Outlook

California is Focus of “New Economy”: Growth Again Exceeds Expectations

- **Most California indicators stronger than expected
—payroll reports show 3.6 percent job growth in 2000**
- **Personal income gains especially strong—up 12 percent
this year, boosted by hi-tech stock options**
- **Internet jobs surged 161% June 1999 to June 2000
—stock market worries overdone?**
- **Home building remains disappointing, especially in
coastal areas**



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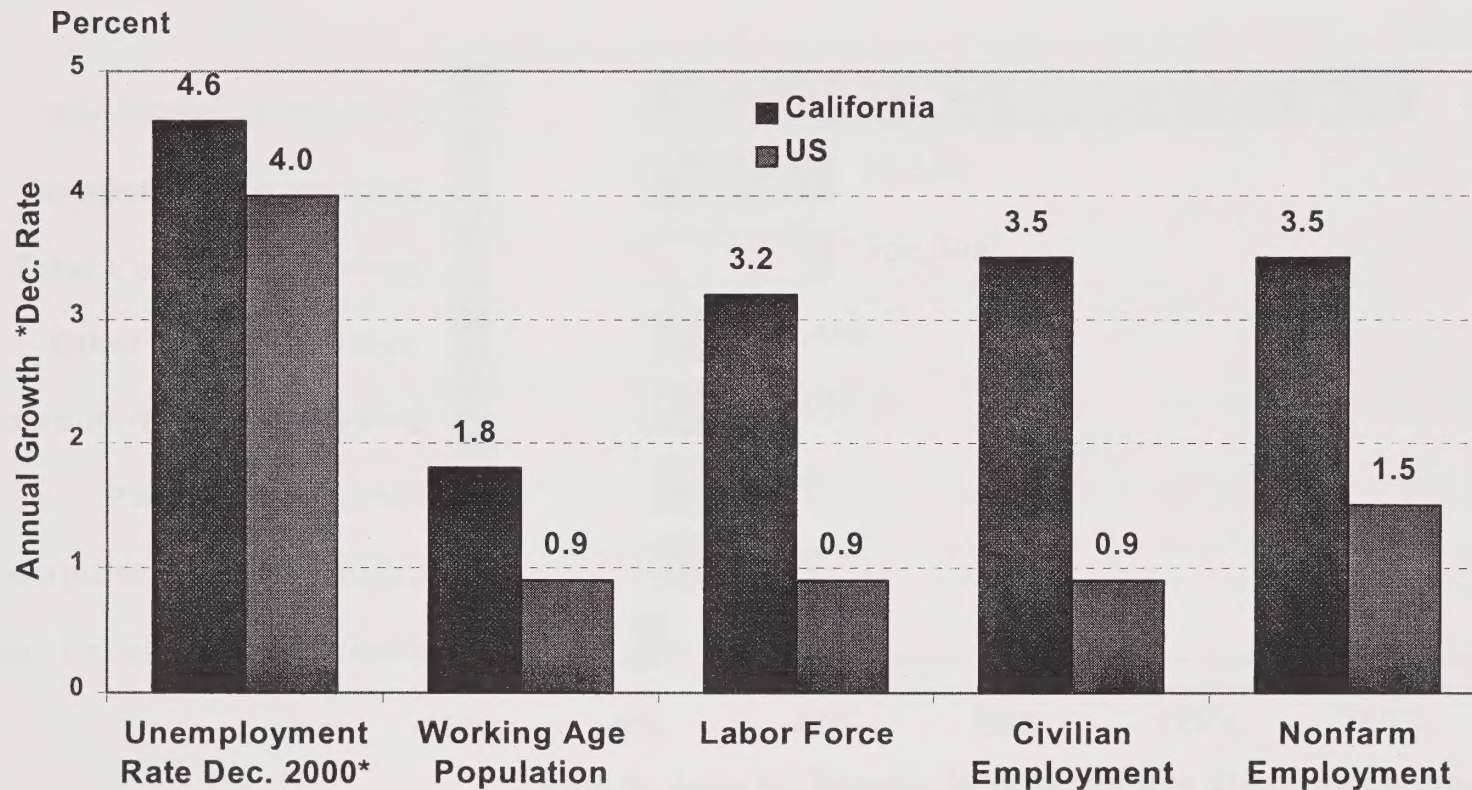
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Regional Economic Outlook

California Accounted for 86% of US Job Growth, Q4 2000!

Measures of Labor Market Strength
US and California, December 1999-2000



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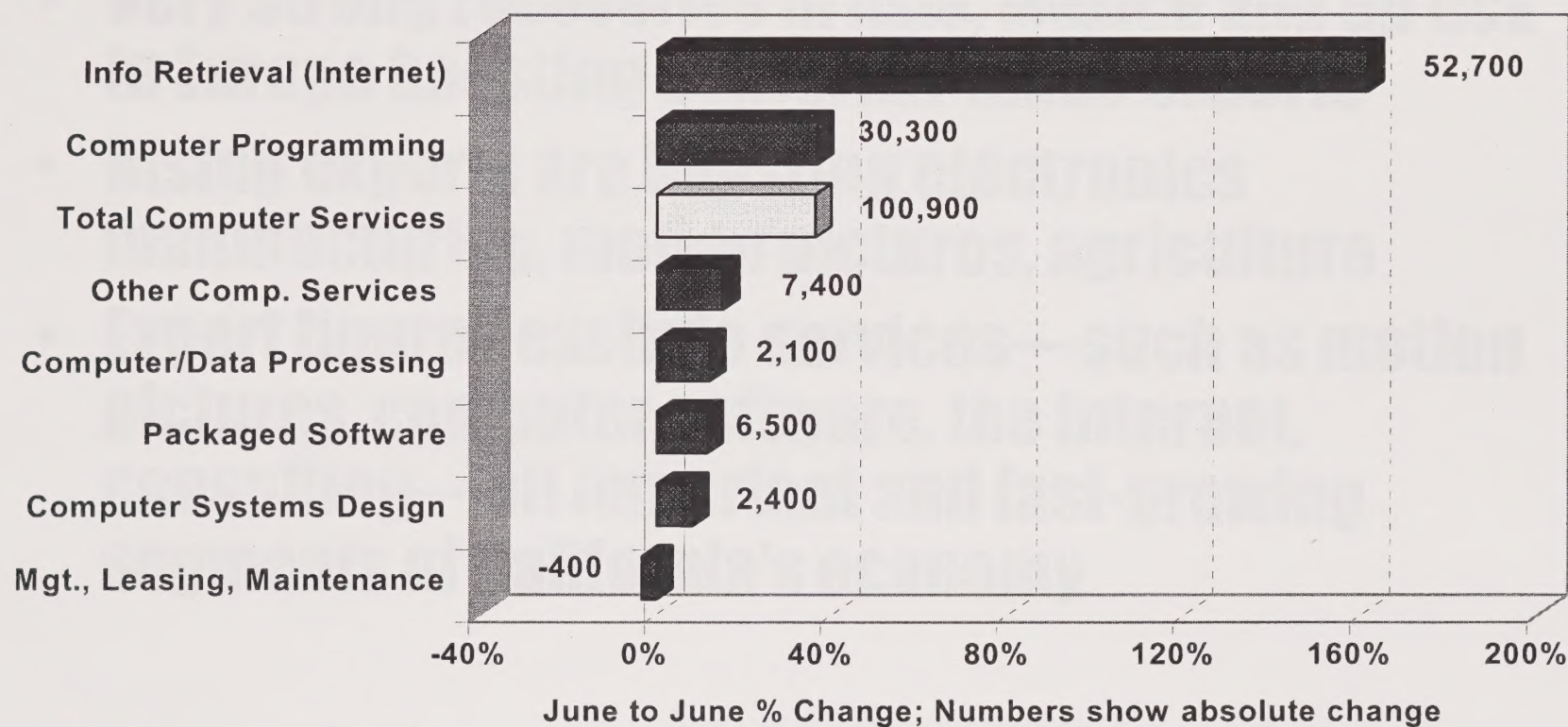
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Regional Economic Outlook

State's Economy Boosted by Massive Internet Growth

Computer Services Job Growth
June 1999 to June 2000



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Regional Economic Outlook

Overseas Rebound Boosts California Exports

- **Very strong recoveries in Asia, Mexico and up tick in Europe boosting California-made exports**
- **Rising exports are boosting electronics manufacturing, motion pictures, agriculture**
- **Export figures exclude services—such as motion pictures, computer software, the Internet, consulting—all important and fast-growing segments of California's economy**



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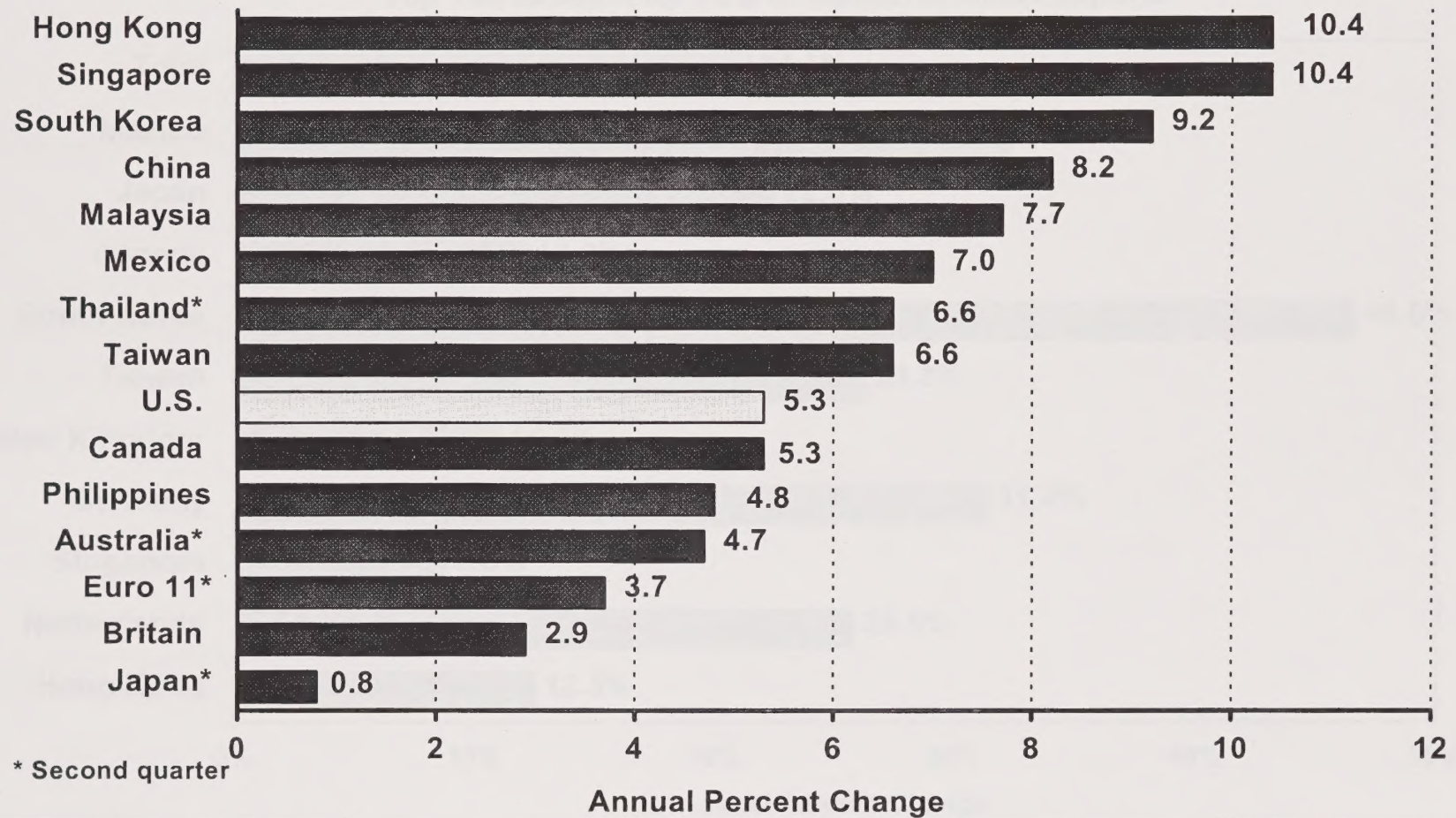
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Regional Economic Outlook

Overseas Markets Are Booming...

Real GDP Growth, Major CA Export Markets
Third Quarter 1999 to 2000



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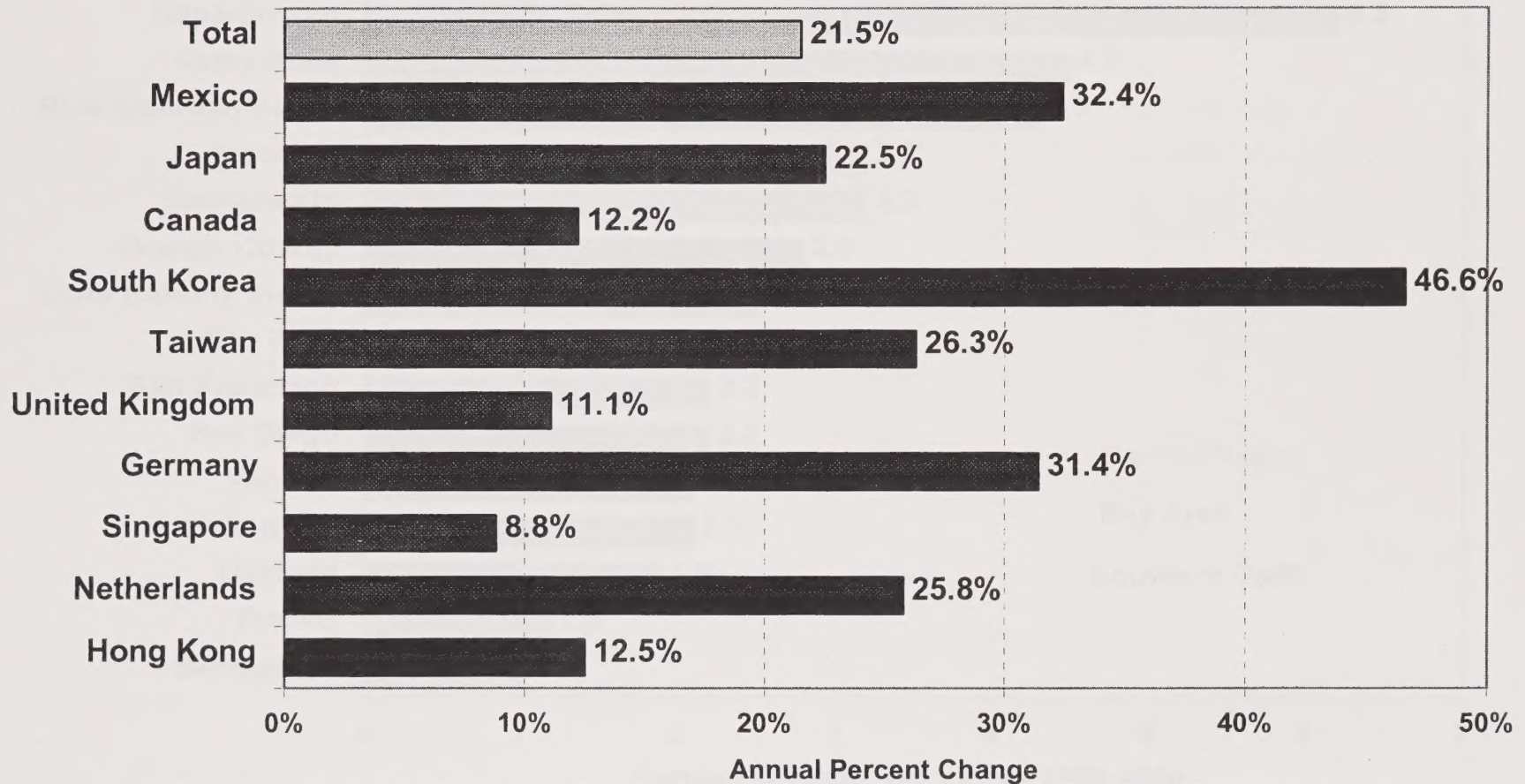
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Regional Economic Outlook

...Driving Up California Exports

Export Growth Top Ten California Markets

Three Quarters 1999-2000

Top Ten account for 75% of California-made exports



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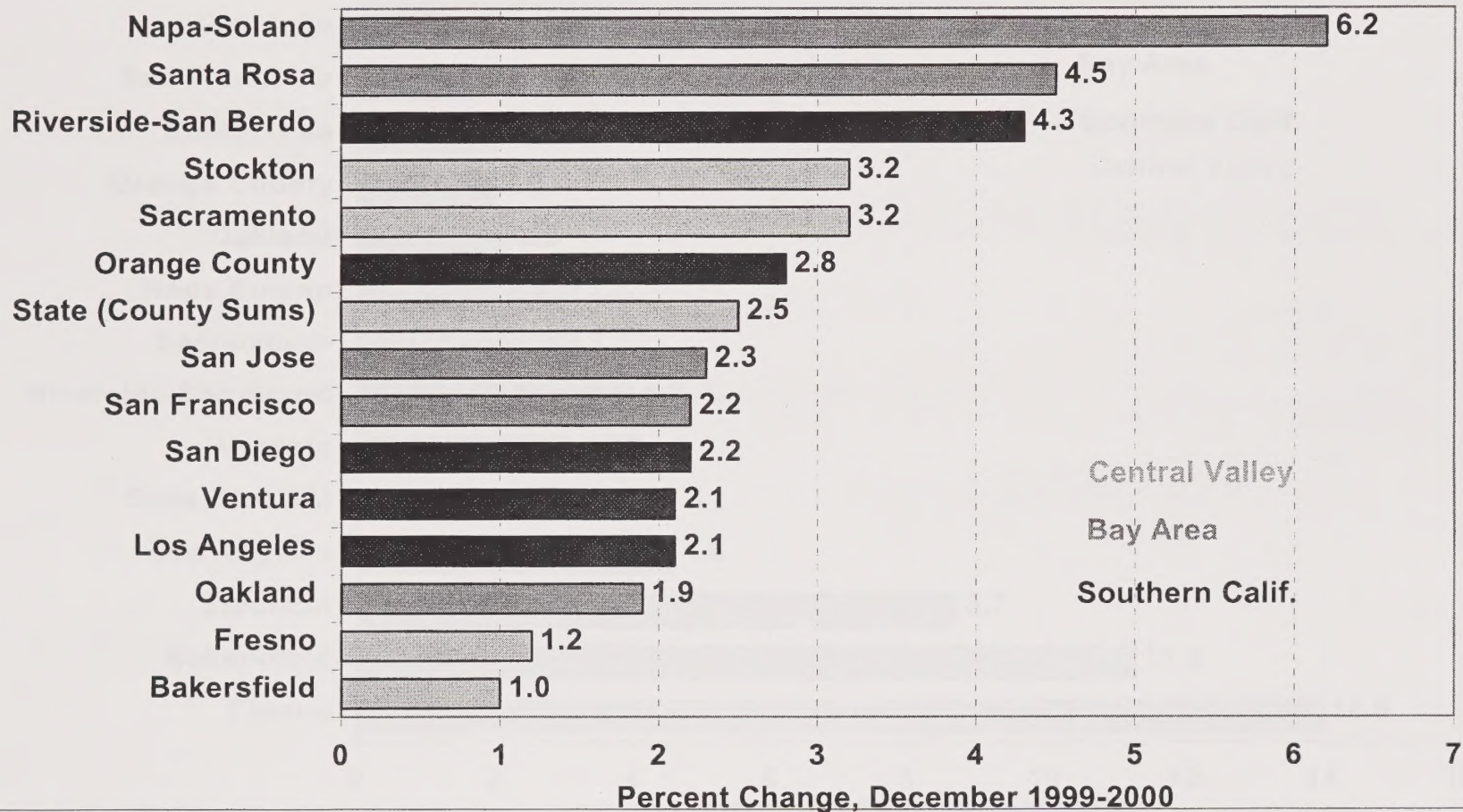
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Regional Economic Outlook

North Bay Leads State in Job Growth

Employment Growth—Major California Markets December 1999-2000



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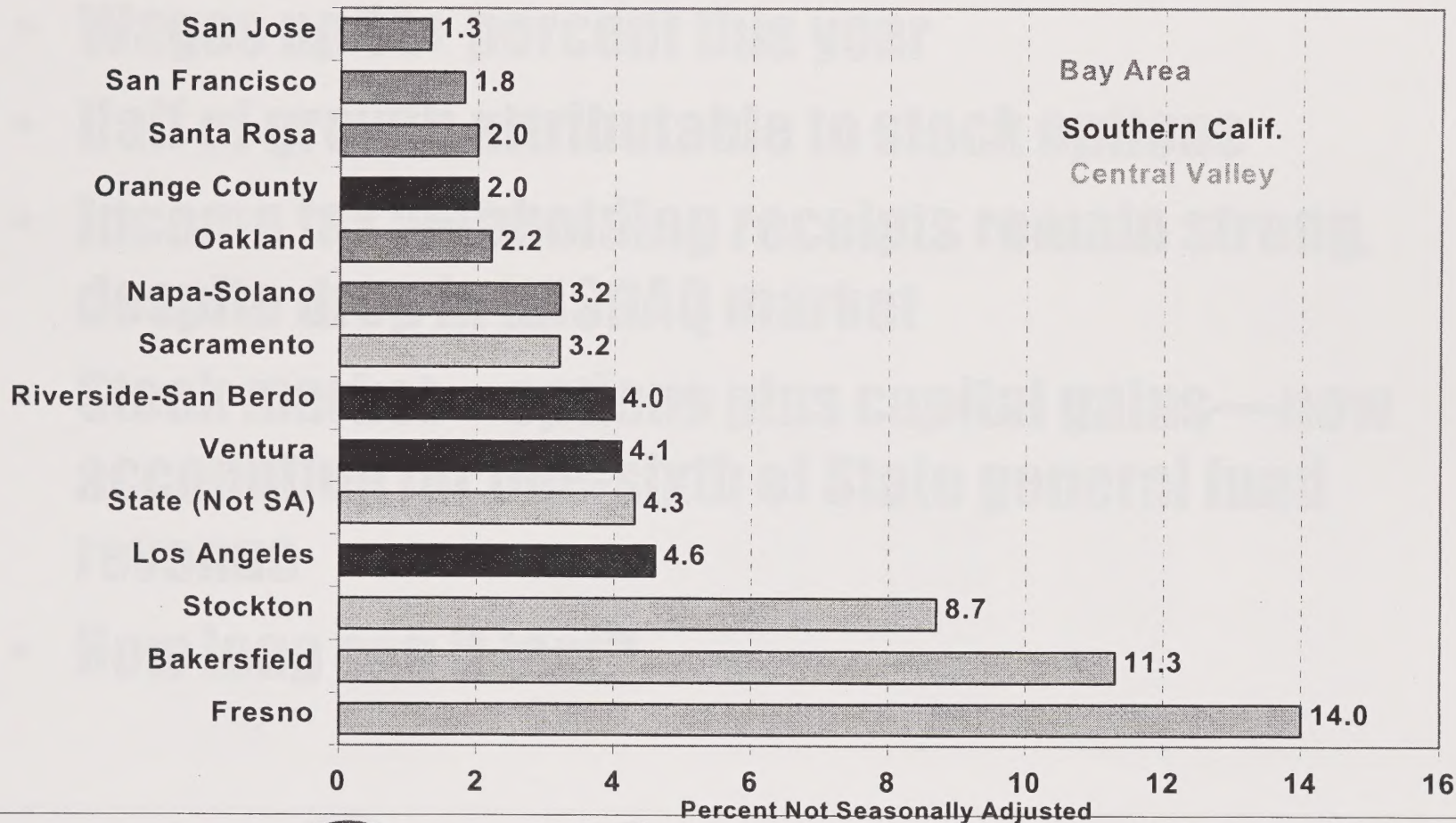
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Extremely Tight Bay Area Labor Market — San Joaquin Valley Lags

December 2000 Unemployment Rates



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Regional Economic Outlook

Stock Options Boosting State Incomes

- **Wages up 14+ percent this year**
- **Half of growth attributable to stock options**
- **Income tax withholding receipts remain strong, despite drop in NASDAQ market**
- **Stock market—options plus capital gains—now accounting for one-sixth of State general fund revenue**
- **How long can it last?**



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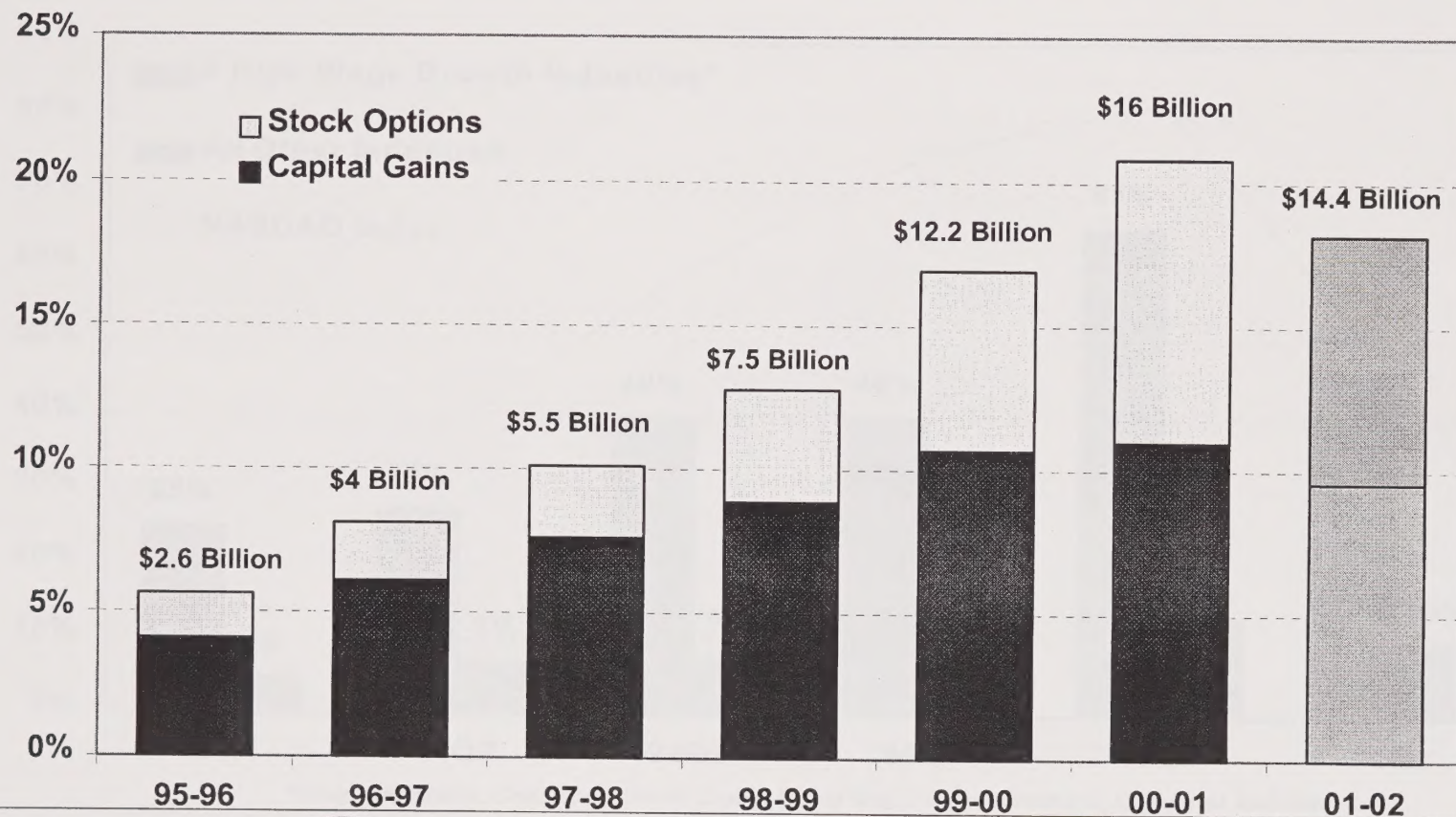
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Stock Market Accounting for Over 20% of General Fund in 2000-01

Capital Gains and Stock Options
as a Percent of Total General Fund Revenue



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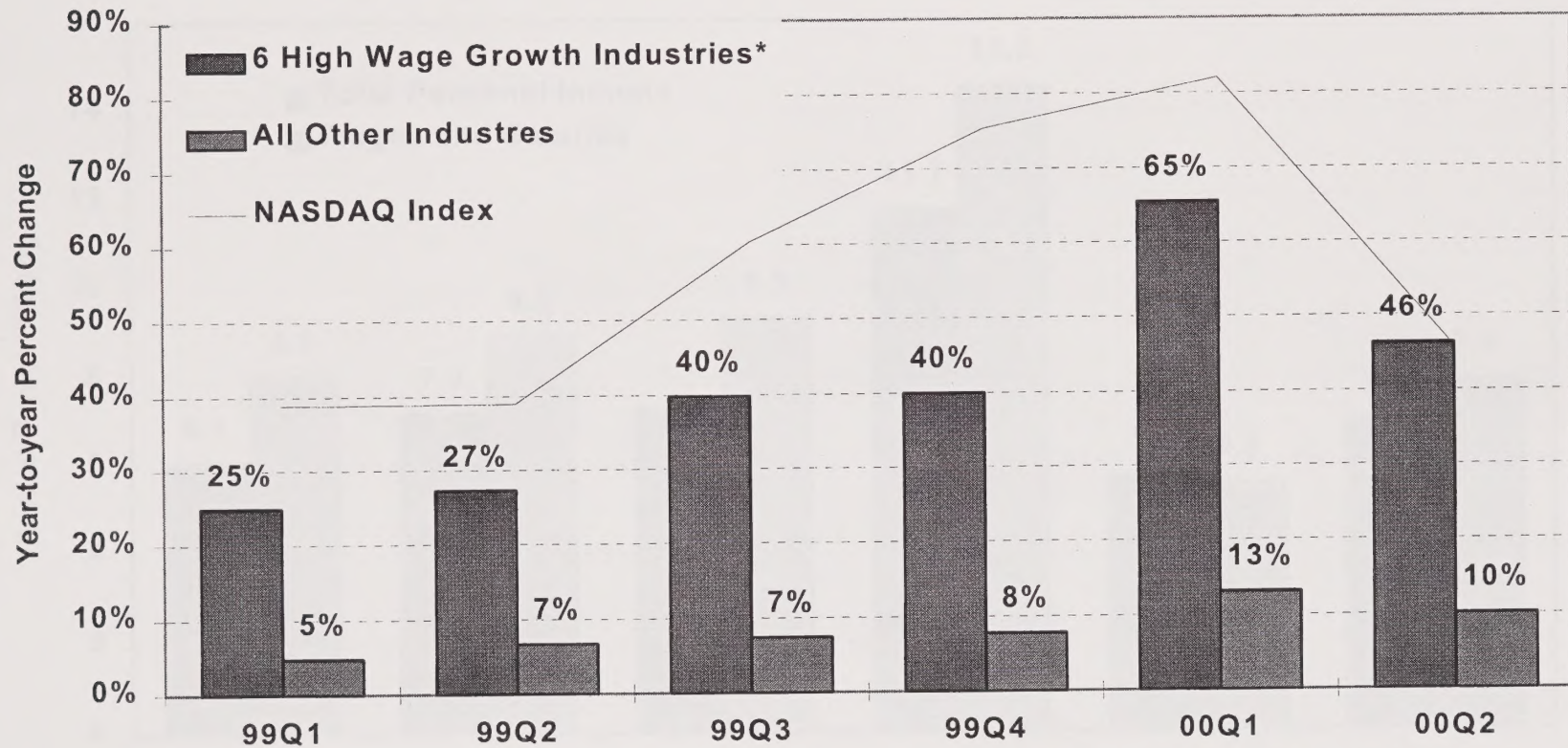
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Regional Economic Outlook

Options Concentrated in 6 Hi-Tech Industries—Mainly Larger Firms

California Wage and NASDAQ Growth



*Drug, Computer, Elec Component, Comm Equip Mfg; Finance Brokers; Computer Services



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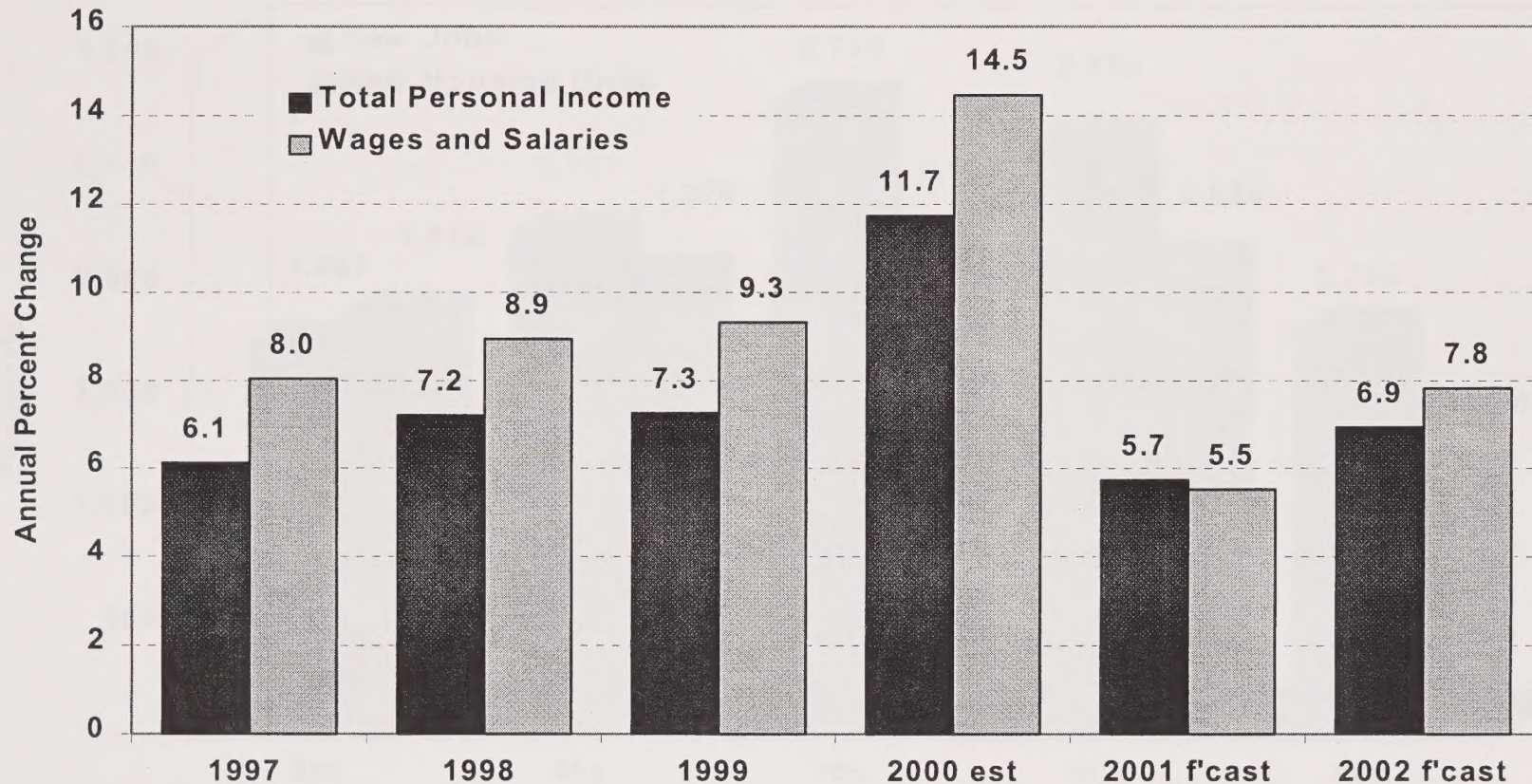
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2001 Income Forecast Reflects Stock Option Assumption

California Personal Income and Wages



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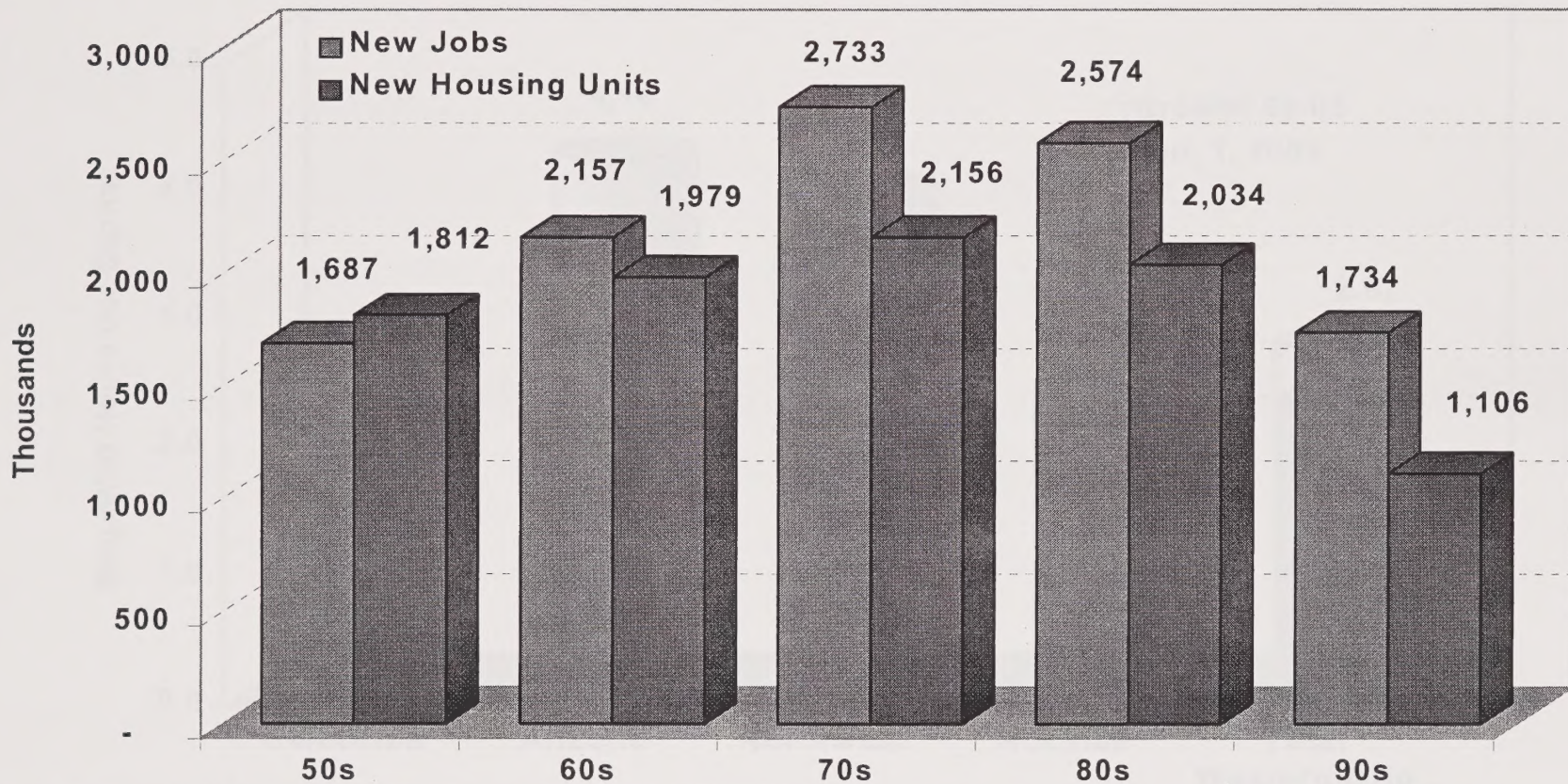
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Regional Economic Outlook

Home Building Lags Job Growth

—Especially Multi-Family

New Jobs & New Housing Units, 1950-99



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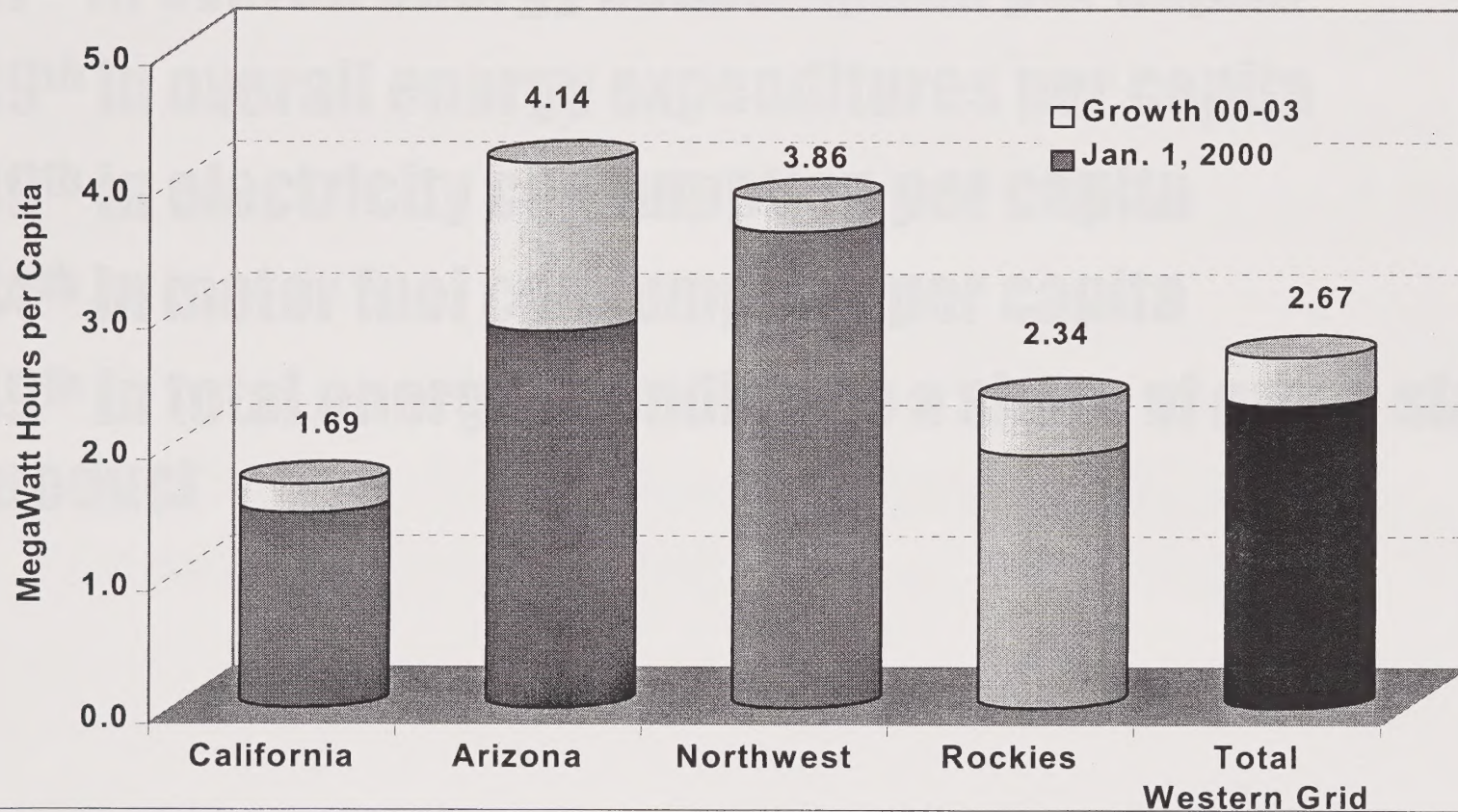
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Regional Economic Outlook

Electricity Market “Dysfunctional”

Also Capacity Constrained

Per Capita Electric Generating Capacity
Western Grid Area



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Regional Economic Outlook

California is a “Low Energy” State

- **47th in overall energy consumption per capita**
- **49th in overall energy expenditures per capita**
- **49th in electricity consumption per capita**
- **44th in motor fuel consumption per capita**
- **49th in total energy spending as a share of gross state product**



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Regional Economic Outlook

Energy Efficiency Helps Cushion the State's Economy

- **Rankings reflect a combination of mild climate, a favorable industry mix, conservation efforts and high energy prices—12th in the US overall and 10th for electricity**
- **California's relatively low energy consumption must be considered when assessing potential economic effects of the current situation**



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Regional Economic Outlook

Bottom Line: Growth Continues

- **Job growth near 2.8 percent in 2001, vs. 3.6 percent this year**
- **Income growth closer to 6 percent in 2001, vs. almost 12% in 2000**
 - **Slowing mainly related to assumption re: stock options**
- **Only modest gains in housing—no relief for tight, costly coastal markets**
- **Energy reliability—not price—is the major risk for California**



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Regional Economic Outlook

Bay Area Outlook: Back to Basics

Paul W. Fassinger

Research Director

Association of Bay Area Governments

Economic Outlook

- **National growth will continue to slow in 2001 and begin to recover in 2002**
- **California growth will continue slower than last year following national pattern**
- **Electricity markets have biggest effect in 2001**
- **Regional Factors — *The Dot.Com Bomb* are overstated, but Bay Area continues slower growth than the rest of California**



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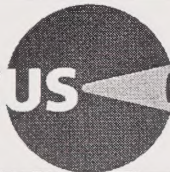
Regional Economic Outlook

Dot.Com Bomb

- **At least 210 internet companies folded in 2000 (Webmergers.com)**
- **Nearly 60% of the shutdowns occurred in the Fourth Quarter of 2000 — they represented \$1.5 billion in investments**
- **75% were retail sites (B2C)**
- **30% of the companies were in California**
- **About 10% of all internet jobs were at Dot.com companies in 1999 (U of Texas)**



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Regional Economic Outlook

Dot.Com Bomb

- **Bbq.com** — “will be to barbecue what Amazon is to books”
- **Gazoontite.com** — hypoallergenic bedding, air purifiers and other products
- **Gazelle.com** — sells women's leg wear
- **Pets.com** — “... *because pets can't drive*”



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Regional Economic Outlook



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Regional Economic Outlook

Internet Companies Will Continue

- **Large retail sites/companies still operating - Amazon.com, e*trade,**
- **Internet businesses continue**
 - **Charles Schwab, AOL/Time-Warner, ebay, Yahoo!**
 - **Infrastructure: Cisco, 3Com, Sprint, AT&T**
 - **Software: Oracle, Siebel, Ariba, Java**



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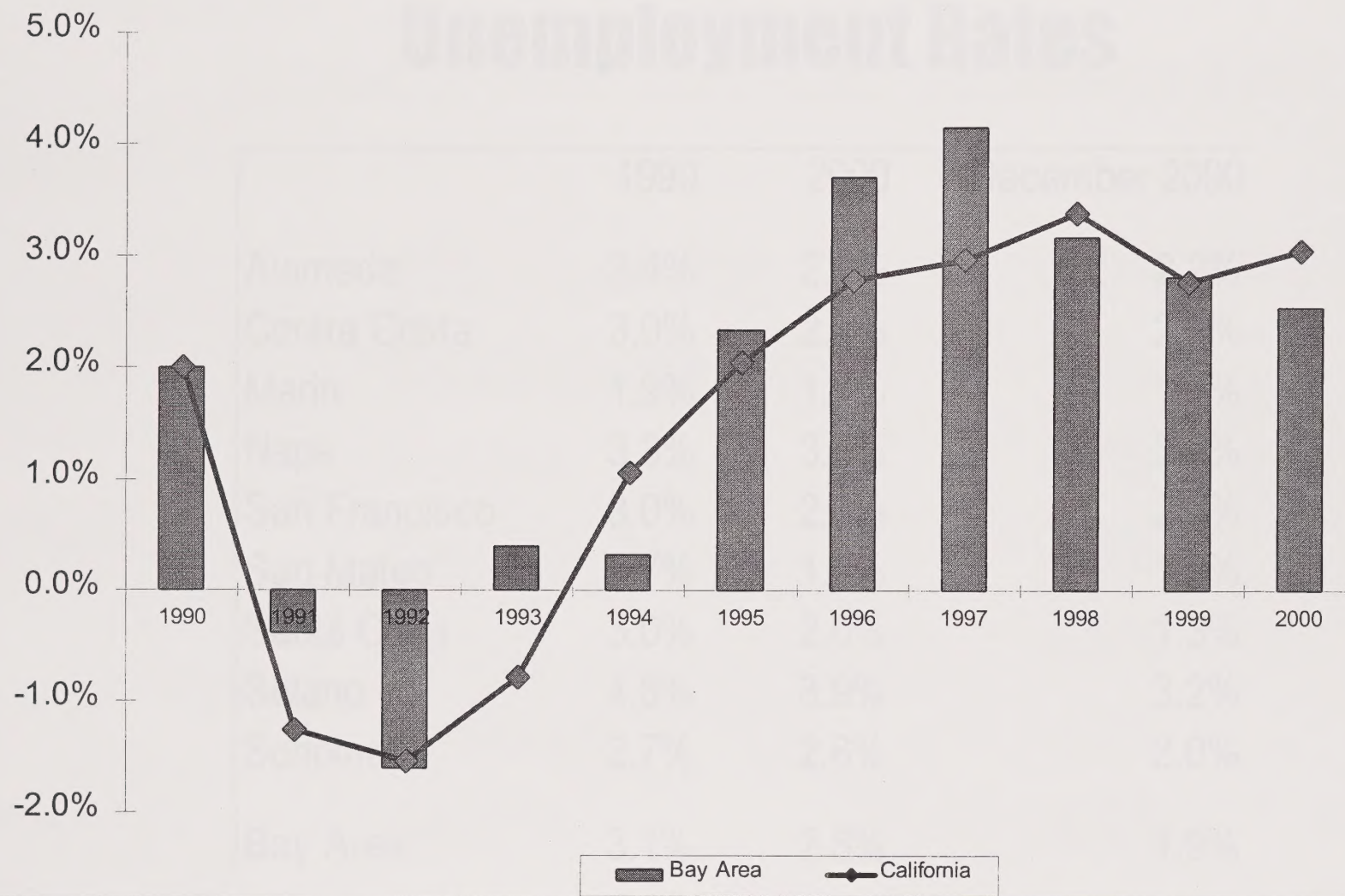
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Regional Economic Outlook

Employment Growth



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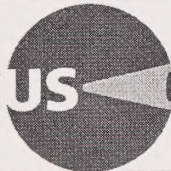
Limits to Growth?
Regional Economic Outlook

Current Bay Area Unemployment Rates

	1999	2000	December 2000
Alameda	3.4%	2.9%	2.2%
Contra Costa	3.0%	2.7%	2.1%
Marin	1.9%	1.7%	1.4%
Napa	3.3%	3.3%	3.2%
San Francisco	3.0%	2.8%	2.5%
San Mateo	2.7%	1.9%	1.2%
Santa Clara	3.0%	2.0%	1.3%
Solano	4.6%	3.9%	3.2%
Sonoma	2.7%	2.6%	2.0%
Bay Area	3.1%	2.5%	1.9%



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Regional Economic Outlook

Unemployment Rates in Other Metro Areas

Bureau of Labor Statistics, December 2000

Orange County	2.0%
Washington D.C.	2.1%
Boston	1.7%
Raleigh-Durham	1.6%
Austin	1.6%
Portland	3.2%
Seattle	3.2%



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California Job Growth

California EDD

	1997	1998	1999	2000			
Total Farm	413,000	406,200	418,000	418,133	-1.6%	2.9%	0.0%
Mining	29,000	25,200	23,700	23,225	-13.1%	-6.0%	-2.0%
Construction	550,000	611,200	679,200	736,767	11.1%	11.1%	8.5%
Manufacturing	1,914,000	1,951,000	1,922,800	1,922,750	1.9%	-1.4%	0.0%
<i>High Technology</i>	482,100	493,800	480,900	478,742	2.4%	-2.6%	-0.4%
Transportation	426,600	444,300	458,800	478,058	4.1%	3.3%	4.2%
Communications	156,000	169,700	179,600	187,825	8.8%	5.8%	4.6%
Other Utilities	81,100	81,500	80,500	81,092	0.5%	-1.2%	0.7%
Wholesale Trade	774,300	799,000	813,700	832,450	3.2%	1.8%	2.3%
Retail Trade	2,274,500	2,324,500	2,380,000	2,441,983	2.2%	2.4%	2.6%
FIRE	758,300	799,400	821,500	833,392	5.4%	2.8%	1.4%
Services	4,025,300	4,224,300	4,377,900	4,561,392	4.9%	3.6%	4.2%
<i>Business Services</i>	1,042,900	1,145,100	1,215,200	1,306,025	9.8%	6.1%	7.5%
<i>Computer Prog.</i>	213,000	243,000	278,400	308,817	14.1%	14.6%	10.9%
<i>Health Services</i>	882,100	898,300	912,900	921,800	1.8%	1.6%	1.0%
Government	2,140,700	2,166,100	2,234,600	2,312,733	1.2%	3.2%	3.5%
<i>Public Education</i>	996,800	1,026,500	1,072,800	1,112,658	3.0%	4.5%	3.7%
Total	13,542,800	14,002,400	14,390,300	14,829,800	3.4%	2.8%	3.1%



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Limits to Growth?
Regional Economic Outlook

Comparative Job Growth

California EDD

	1996	1997	1998	1999	2000	Share of Job Growth			
California	13,152	13,543	14,002	14,390	14,830				
Bay Area	3,069	3,197	3,298	3,391	3,477	33%	22%	24%	20%
LA	3,796	3,872	3,951	4,013	4,098	19%	17%	16%	19%
Orange	1,191	1,241	1,306	1,353	1,395	13%	14%	12%	10%
Riverside	825	863	904	955	1,000	10%	9%	13%	10%
San Diego	1,017	1,065	1,116	1,162	1,191	12%	11%	12%	7%
Sacramento	609	629	656	691	713	5%	6%	9%	5%
Other	2,645	2,676	2,771	2,825	2,956	8%	21%	14%	30%



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Regional Economic Outlook

Bay Area Job Growth California EDD

	1997	1998	1999	2000			
Total Farm	23,300	23,900	24,800	27,393	2.6%	3.8%	10.5%
Mining	3,800	3,600	4,200	3,550	-5.3%	16.7%	-15.5%
Construction	141,800	154,700	172,800	187,998	9.1%	11.7%	8.8%
Manufacturing	498,900	507,100	491,000	494,022	1.6%	-3.2%	0.6%
<i>High Technology</i>	250,830	260,090	252,080	254,776	3.7%	-3.1%	1.1%
Transportation	113,600	116,100	118,600	123,732	2.2%	2.2%	4.3%
Communications	41,400	42,600	42,550	44,005	2.9%	-0.1%	3.4%
Other Utilities	24,600	24,700	25,450	26,163	0.4%	3.0%	2.8%
Wholesale Trade	176,400	180,100	183,800	185,834	2.1%	2.1%	1.1%
Retail Trade	506,200	520,500	537,800	551,506	2.8%	3.3%	2.5%
FIRE	203,800	211,000	214,800	213,234	3.5%	1.8%	-0.7%
Services	1,027,000	1,076,100	1,125,800	1,156,298	4.8%	4.6%	2.7%
<i>Business Services</i>	321,800	342,400	368,400	389,230	6.4%	7.6%	5.7%
<i>Health Services</i>	195,800	205,500	210,900	204,328	5.0%	2.6%	-3.1%
Government	436,600	437,600	449,600	463,384	0.2%	2.7%	3.1%
<i>Public Education</i>	173,100	178,200	184,500	203,332	2.9%	3.5%	10.2%
Total	3,197,400	3,298,000	3,391,200	3,477,119	3.1%	2.8%	2.5%



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Limits to Growth?
Regional Economic Outlook

Santa Clara County Jobs

California EDD

	1997	1998	1999	2000			
Farming	5,100	5,200	5,200	5,000	2.0%	0.0%	-3.8%
Mining	100	100	100	100	0.0%	0.0%	0.0%
Construction	37,300	41,700	45,600	49,400	11.8%	9.4%	8.3%
Manufacturing	258,200	261,300	249,000	246,200	1.2%	-4.7%	-1.1%
<i>High Technology</i>	194,250	199,470	191,270	189,800	2.7%	-4.1%	-0.8%
Transportation	16,200	16,900	17,000	17,600	4.3%	0.6%	3.5%
Communications	7,400	7,700	7,700	8,100	4.1%	0.0%	5.2%
Utilities	3,700	3,700	3,600	3,700	0.0%	-2.7%	2.1%
Wholesale Trade	56,000	56,400	56,200	56,800	0.7%	-0.4%	1.1%
Retail Trade	126,700	130,100	133,600	137,000	2.7%	2.7%	2.6%
FIRE	30,600	31,800	32,800	33,200	3.9%	3.1%	1.3%
Services	301,800	317,800	332,000	344,700	5.3%	4.5%	3.8%
<i>Business Services</i>	120,600	130,300	138,000	145,600	8.0%	5.9%	5.5%
<i>Health Services</i>	49,500	50,900	51,100	51,500	2.8%	0.4%	0.7%
Government	88,500	88,900	91,200	93,200	0.5%	2.6%	2.2%
Public Education	42,600	43,200	44,200	44,400	1.4%	2.3%	0.5%
Total	931,600	961,600	974,000	995,070	3.2%	1.3%	2.2%



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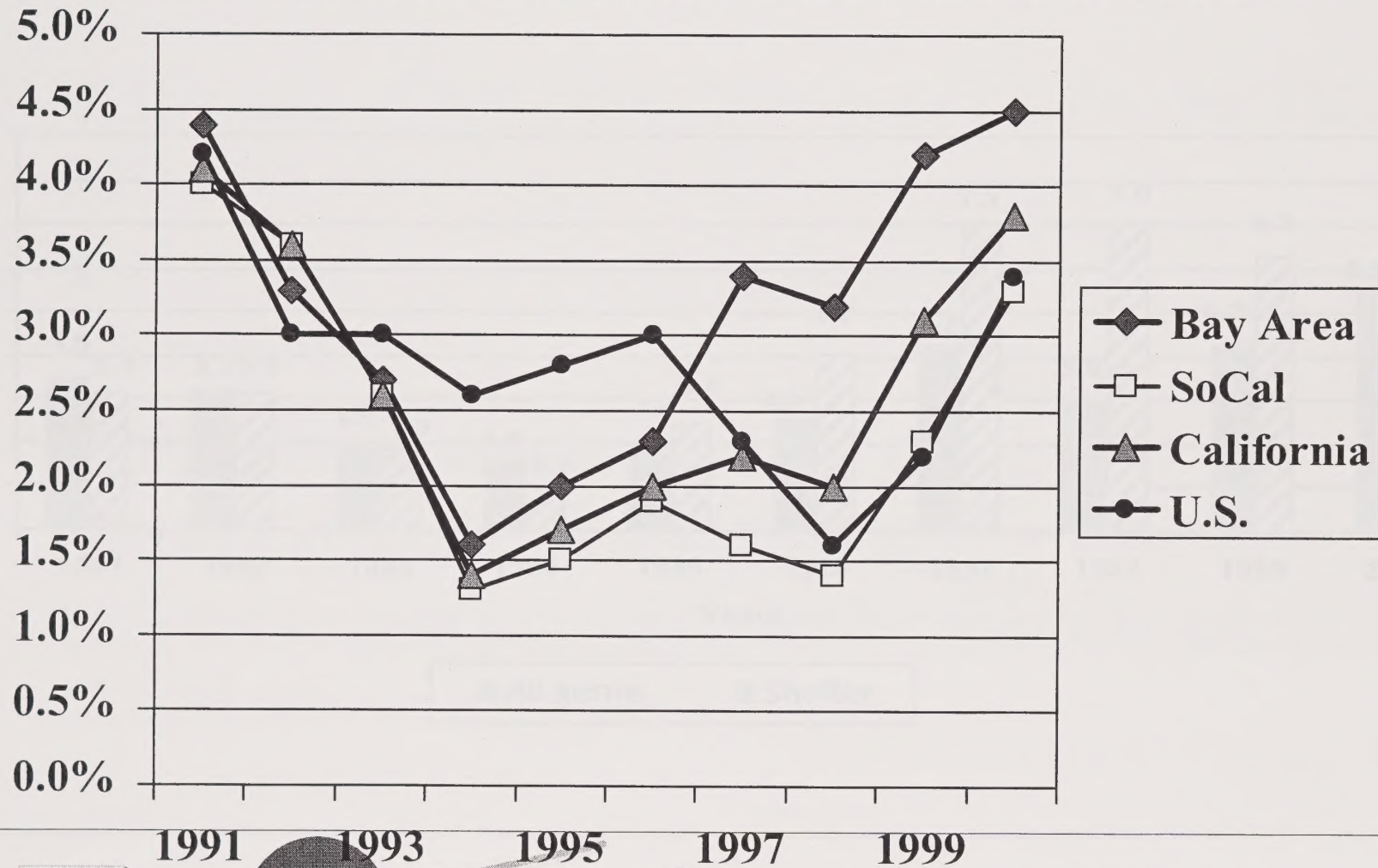
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Regional Economic Outlook

Annual Inflation Rates

All Urban Consumer, Bureau of Labor Statistics



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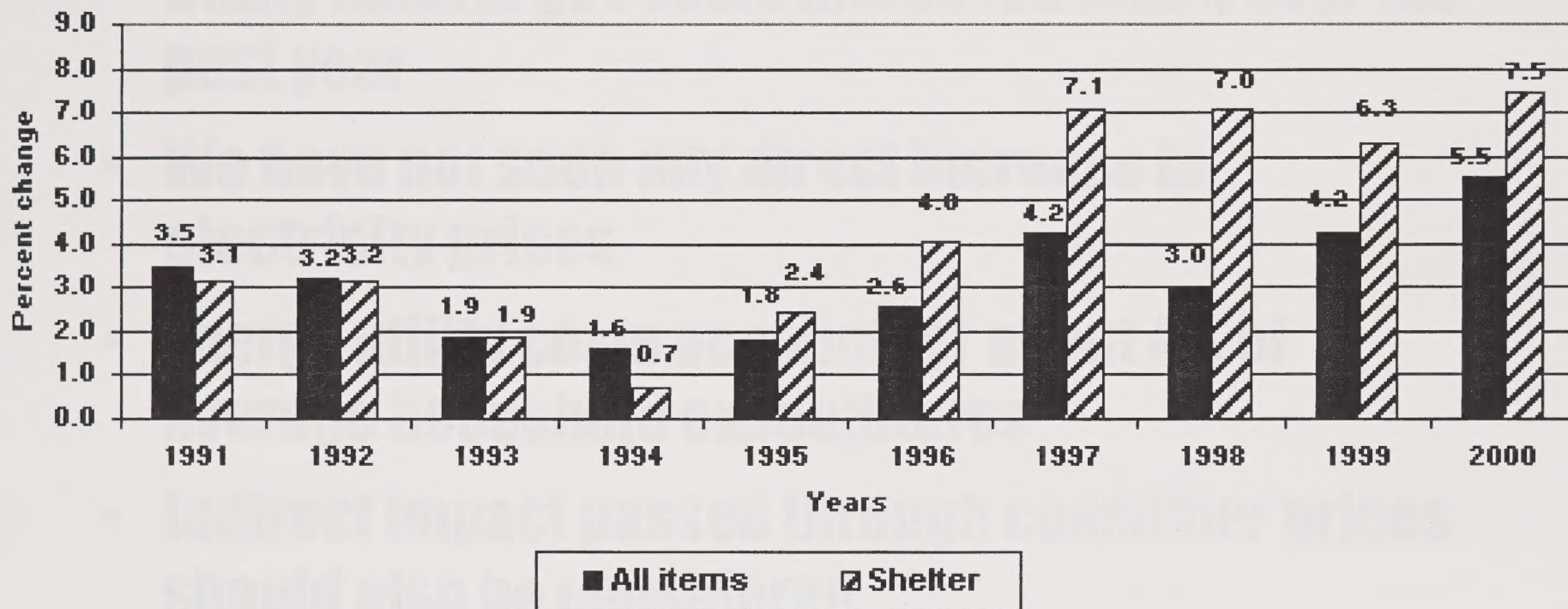
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Bay Area Annual Percentage Change December 1991 to December 2000



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Regional Economic Outlook

Energy Markets and Inflation

- **Utility natural gas costs increased 60.3% over the past year**
- **We have not seen any direct increase in electricity prices**
- **Energy utility costs account for about 4% of average household expenditures**
- **Indirect impact passed through consumer prices should also be considered**



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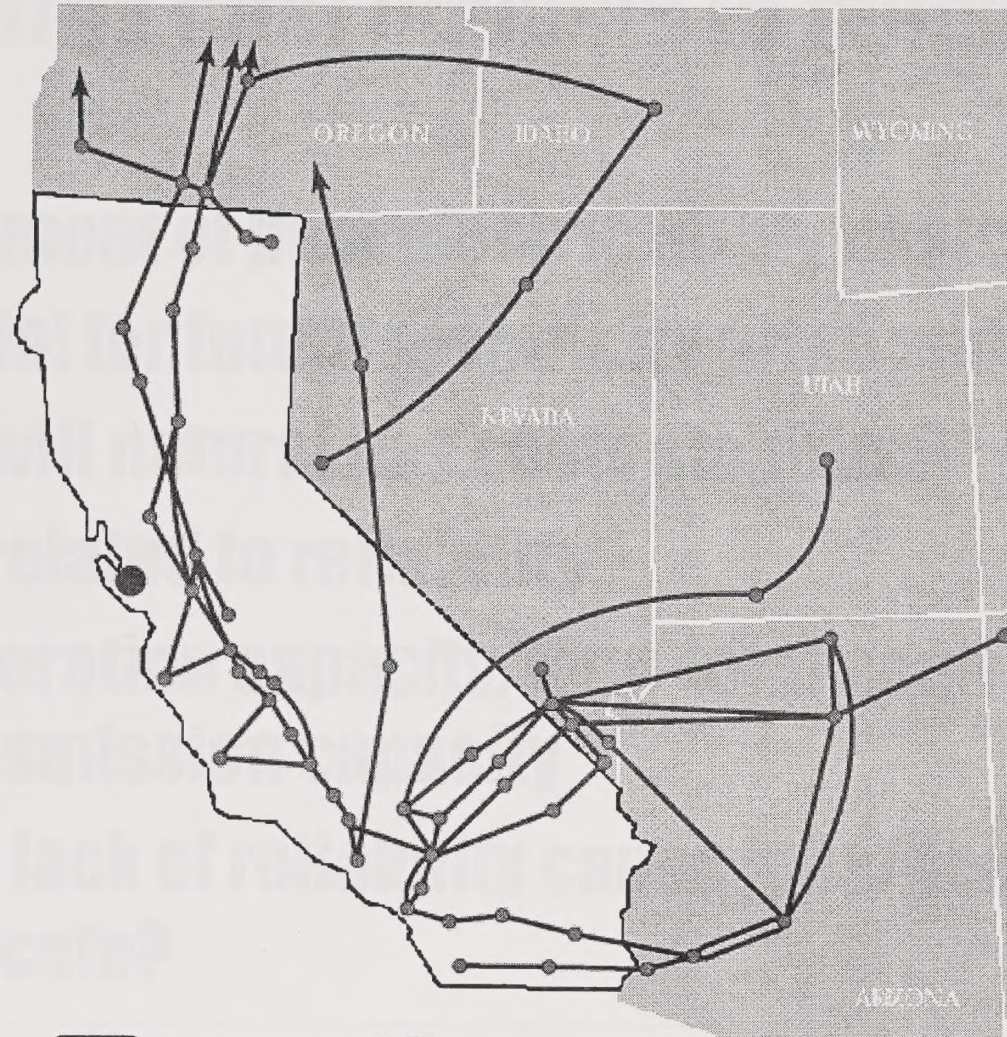
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Regional Economic Outlook

Primary Interstate Electric Transmission



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Regional Economic Outlook

Energy Cost Impacts to Consider

- **Assignment of past electric utility costs**
- **Potential for future electricity price spikes**
- **When will natural gas costs stabilize?**
- **Costs related to reliability**
 - **Generation capacity, long-term contracts, transmission capacity**
 - **Will lack of reliability cause jobs/people to relocate?**



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Limits to Growth?

Regional Economic Outlook

County Employment

	1997	1998	1999	2000	2001	2002
Alameda	640,300	660,500	683,600	698,400	705,500	716,500
Contra Costa	312,800	317,600	328,400	334,000	337,900	344,700
Marin	105,200	106,700	111,600	114,700	116,100	118,000
Napa	53,600	56,900	60,600	64,500	65,700	67,300
San Francisco	551,000	563,800	575,800	590,000	596,800	607,500
San Mateo	333,100	345,300	359,300	369,600	373,800	380,200
Santa Clara	933,200	961,500	974,000	995,100	1,005,500	1,021,200
Solano	103,400	106,300	111,700	118,900	120,800	122,800
Sonoma	171,000	179,600	186,100	192,200	195,400	199,300



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Limits to Growth?

Regional Economic Outlook

Household Income

	1999	2000	2001	2002
	HH income	HH income	HH income	HH income
Alameda	92,000	99,700	106,600	113,600
Contra Costa	89,000	96,500	103,200	110,000
Marin	117,300	127,200	136,000	145,000
Napa	81,100	88,000	94,100	100,300
San Francisco	101,500	110,000	117,600	125,400
San Mateo	115,400	125,100	133,700	142,500
Santa Clara	123,300	133,600	142,800	152,200
Solano	65,200	70,700	75,600	80,600
Sonoma	73,100	79,300	84,800	90,400
Total	100,600	109,100	116,600	124,300



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Regional Economic Outlook

Bay Area Forecast

	1999	2000	2001	2002
Average HH Income	\$100,600	\$109,110	\$116,600	\$124,300
Inflation Rate	4.2%	4.4%	5.4%	4.8%
Employment Growth	92,900	86,400	40,000	60,000



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Limits to Growth?
Regional Economic Outlook

Conclusions

- **Bay Area growth will continue, but at a slow pace**
- **The larger economy and high costs are the key limitations**
- **Inflation will continue at higher rates than the general economy**
- **Mean household income will continue to grow, but at a slower rate**



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Limits to Growth?

Regional Economic Outlook

Business Climate: Afraid to Spend?

Brian Kirking

Senior Regional Planner

Association of Bay Area Governments



Taxable Sales Forecast



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2002

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Limits to Growth?
Regional Economic Outlook

Population and Income

San Francisco Bay Area

- **Steady population growth of 1-2% annually for the region**
- **Average real income continues to grow substantially every year**
- **Real income growth will slow but remain positive**



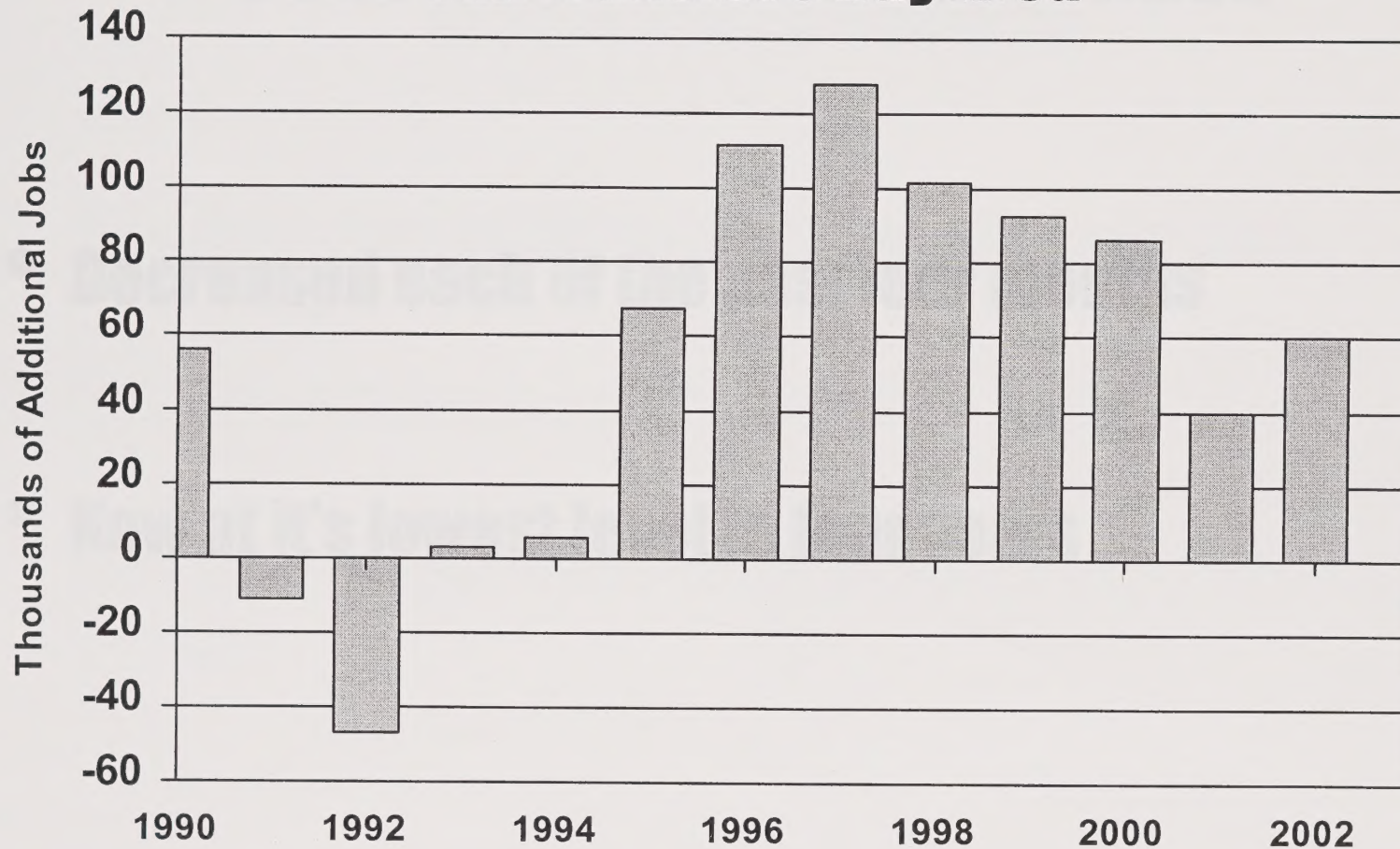
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Limits to Growth?
Regional Economic Outlook

Employment Growth San Francisco Bay Area



Source: CA EDD, ABAG



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Limits to Growth?
Regional Economic Outlook

Consumer Confidence Index

- **Decreased each of the past four months**
- **Now at it's lowest level in four years**

Source: The Conference Board



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2002

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Limits to Growth?
Regional Economic Outlook

Housing Costs

San Francisco Bay Area

- **Bay Area prices remain extraordinarily high**
- **Rate of increase has moderated**
- **May now be possible to have some discretionary income**



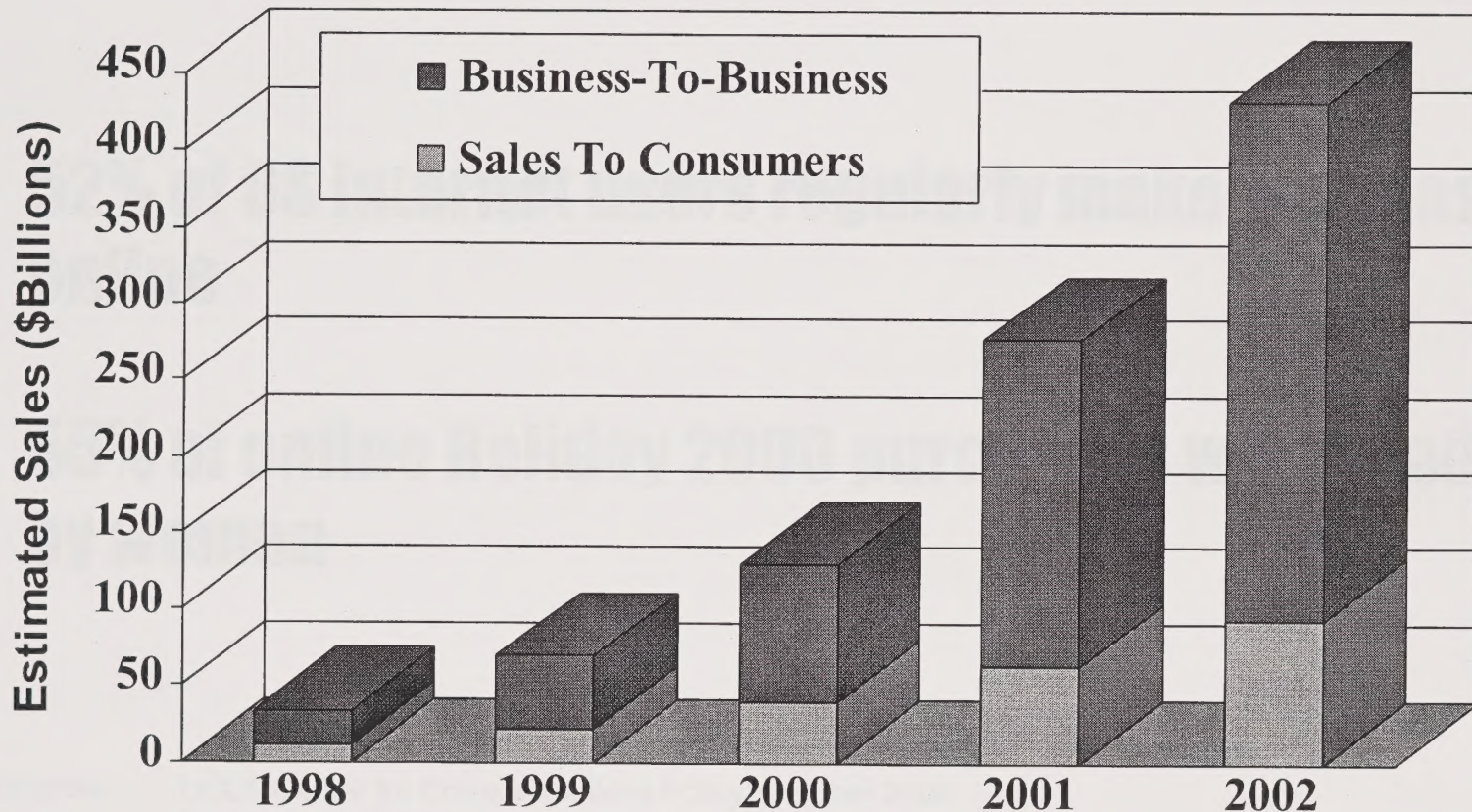
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Limits to Growth?
Regional Economic Outlook

Total Sales Over the Internet Doubling Every Year



Source: International Data Corporation, January 1999



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2002

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Limits to Growth?
Regional Economic Outlook

Consumers and the Internet

Factoids

- **52% of US internet users regularly make purchases online**
- **55% of online Holiday 2000 purchases were made by women**

Sources: UCLA Center for Communications Policy, October 2000
BizRate.com POS Survey, December 2000



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2002

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Limits to Growth?
Regional Economic Outlook

Taxable Sales Growth

San Francisco Bay Area

Nominal Percent Growth

	1996	1997	1998	1999	Estimate 2000	Forecast 2001	Forecast 2002
Retail Stores	8.0	7.5	4.9	11.4	9.1	6.1	6.2
All Other Outlets	11.9	7.8	3.0	7.4	7.3	6.3	6.4
Total Taxable Sales	9.5	7.6	4.1	9.8	8.4	6.2	6.3



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2001
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Limits to Growth?
Regional Economic Outlook

Taxable Sales Growth

San Francisco Bay Area

Inflation Adjusted

	1996	1997	1998	1999	Estimate 2000	Forecast 2001	Forecast 2002
Retail Stores	5.7	4.1	1.7	7.2	4.6	0.7	1.4
All Other Outlets	9.6	4.4	-0.2	3.2	2.8	0.9	1.6
Total Taxable Sales	7.2	4.2	0.9	5.6	3.9	0.8	1.5



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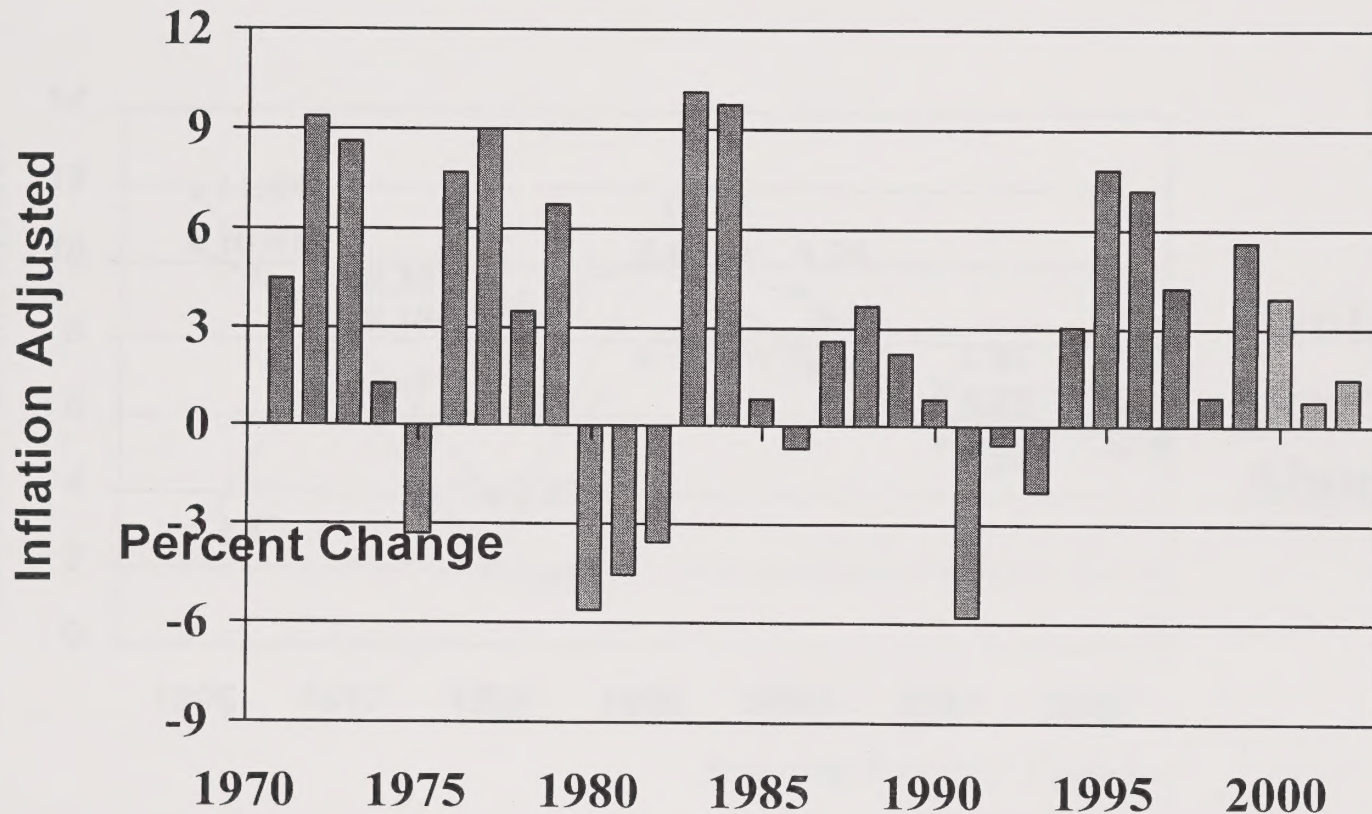
2001
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Limits to Growth?

Regional Economic Outlook

Taxable Sales Growth San Francisco Bay Area



Source: California Board of Equalization, ABAG



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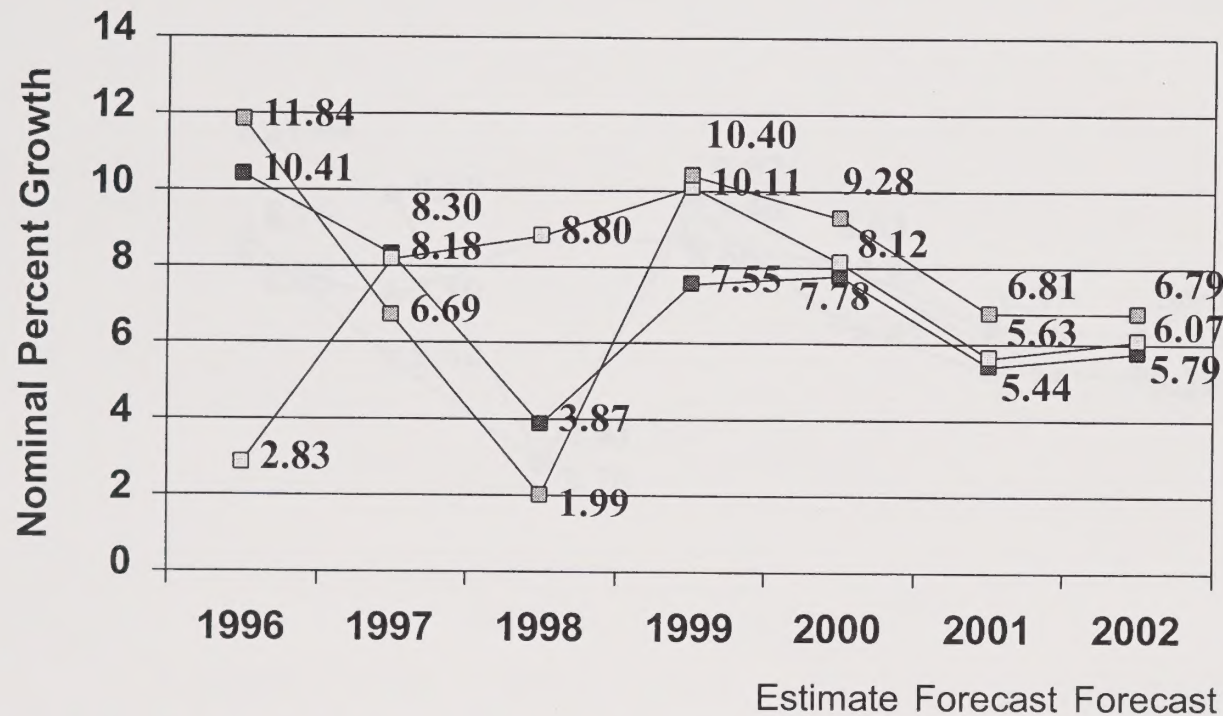
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2002

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Limits to Growth?
Regional Economic Outlook

Taxable Sales Growth

East Bay & South Bay



Santa Clara
Contra Costa
Alameda



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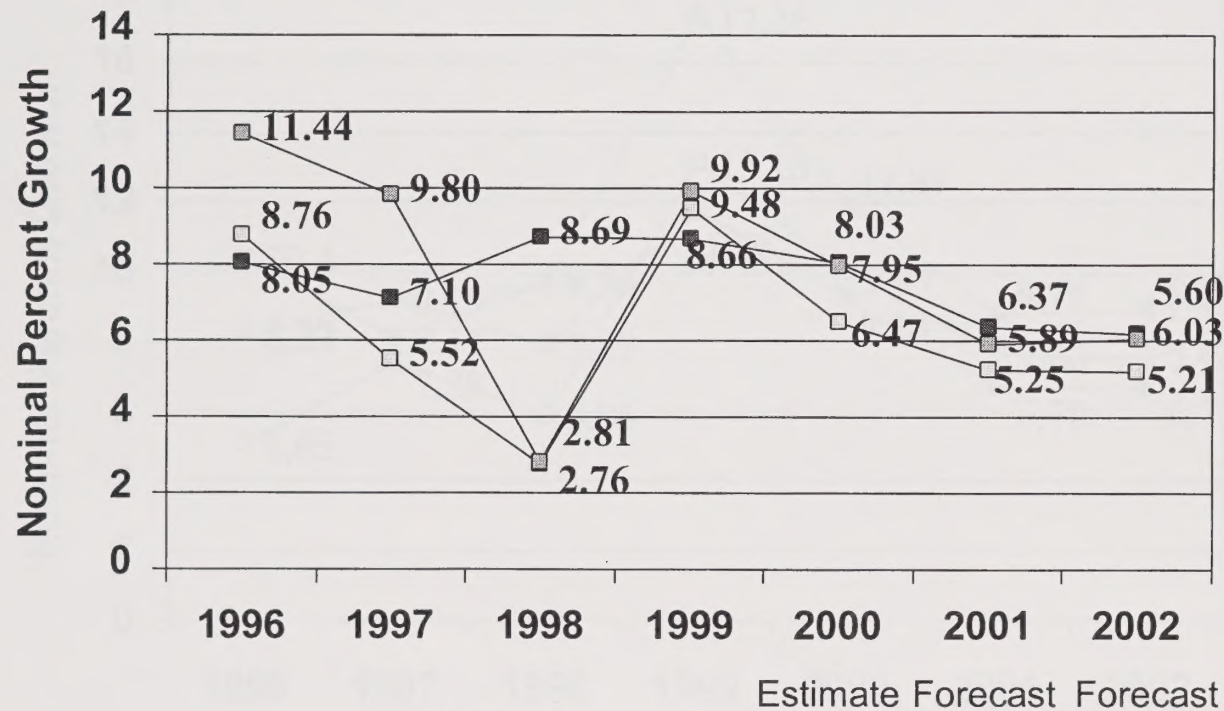
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2002

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Limits to Growth?
 Regional Economic Outlook

Taxable Sales Growth

West Bay



Marin
San Mateo
San Francisco



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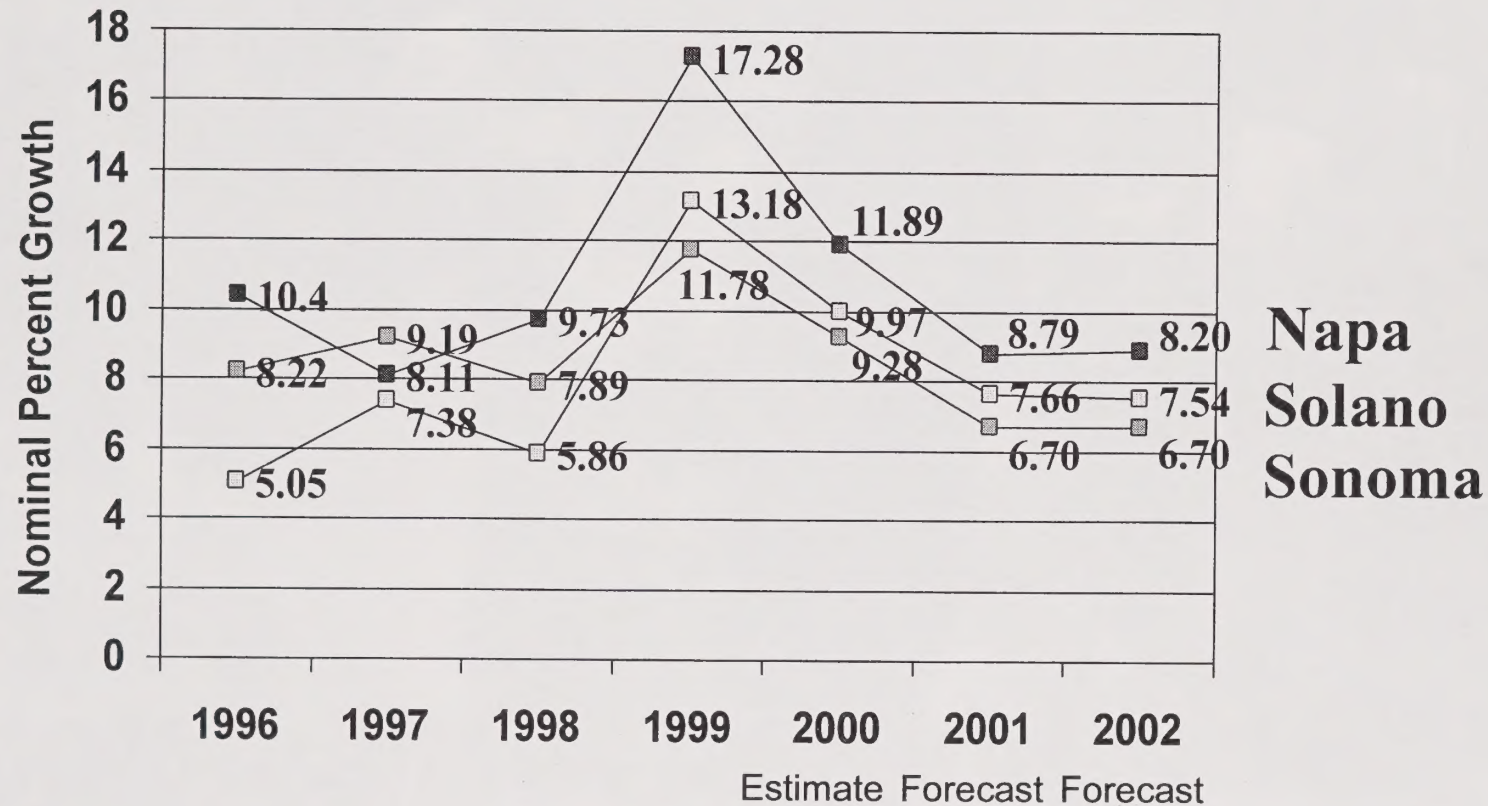
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Limits to Growth?
 Regional Economic Outlook

Taxable Sales Growth

North Bay



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Limits to Growth?
Regional Economic Outlook



Nonresidential Construction Activity



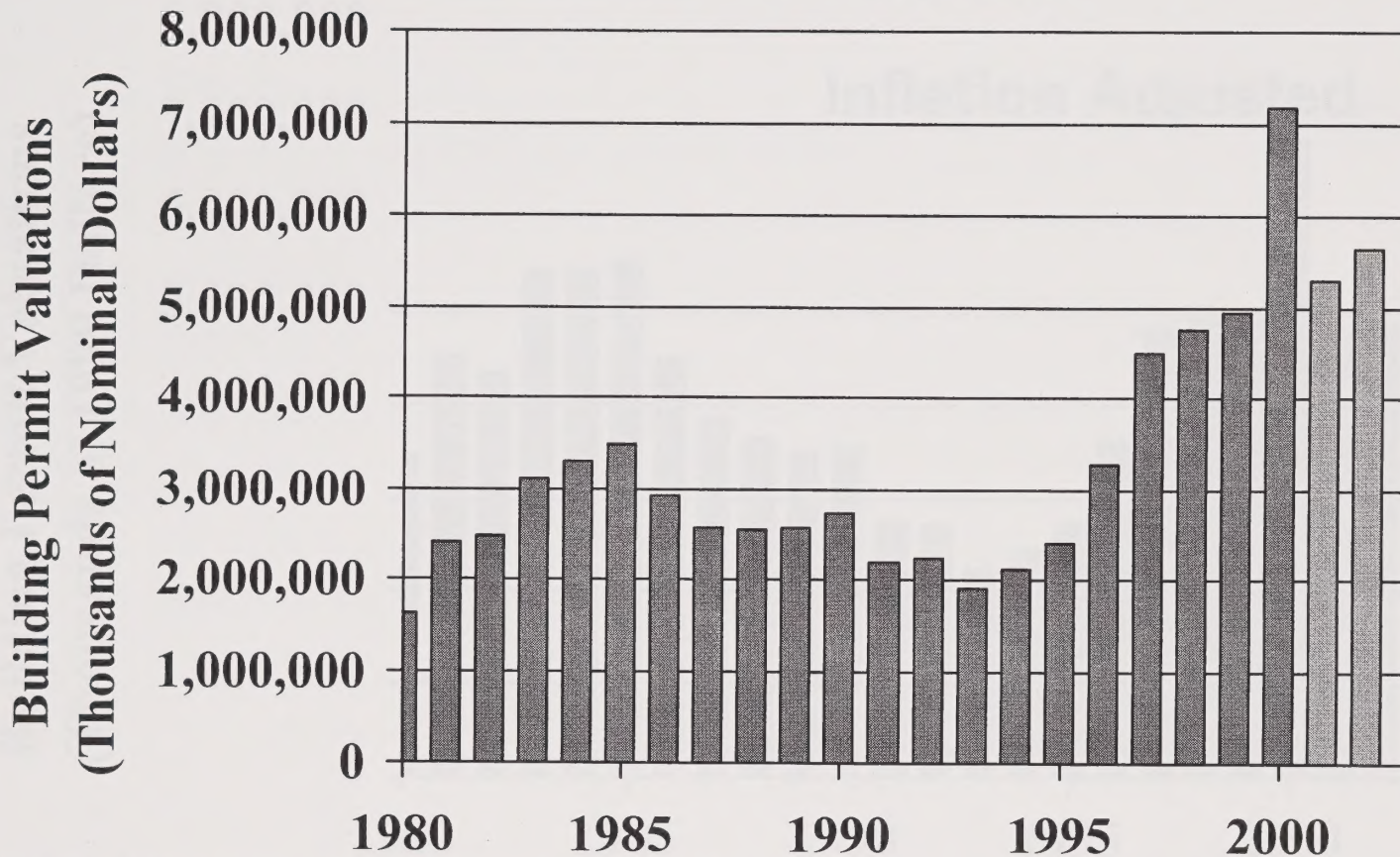
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Limits to Growth?
Regional Economic Outlook

Nonresidential Building Permits San Francisco Bay Area



Source: Construction Industry Research Board, ABAG



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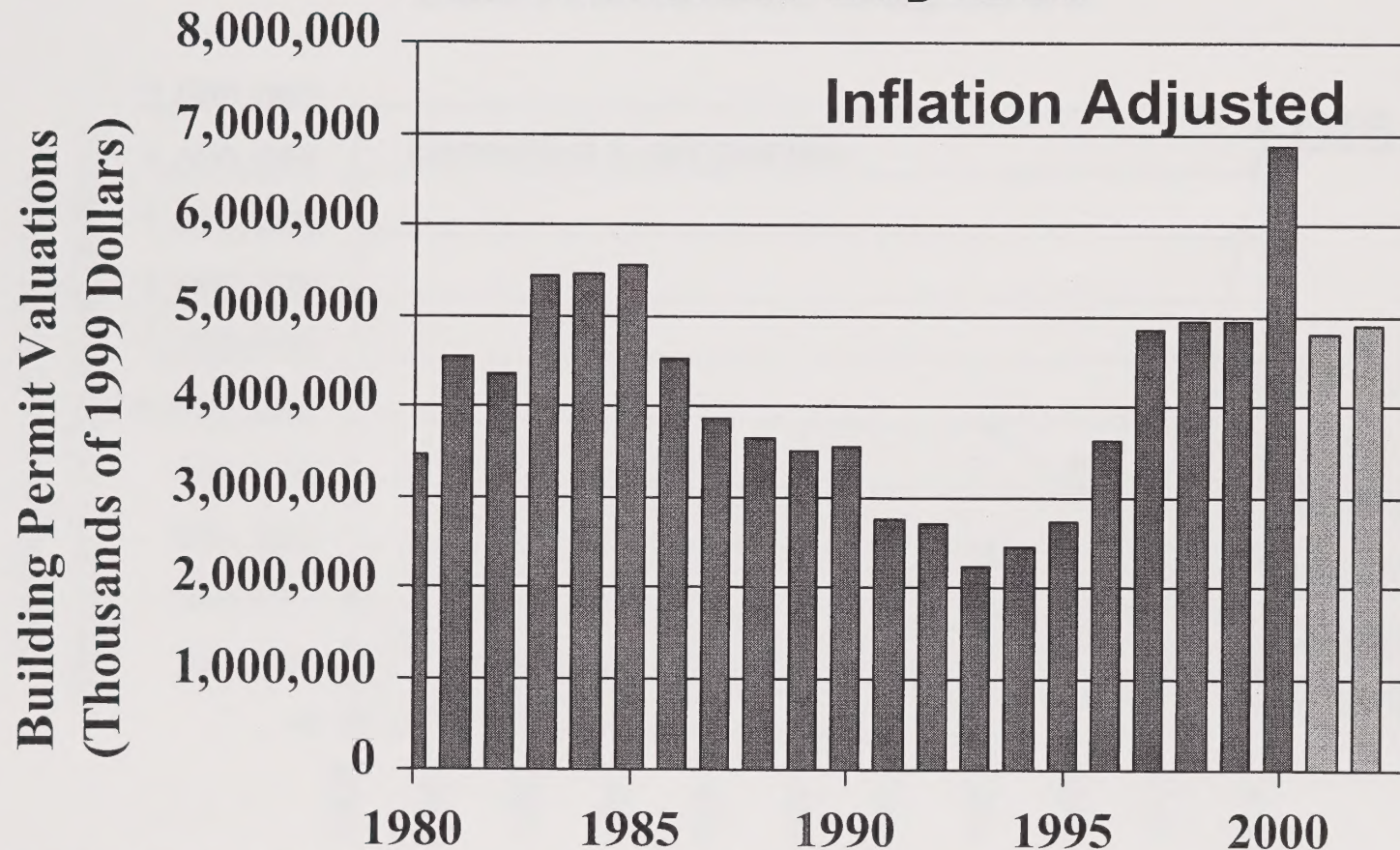
2001
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Limits to Growth?

Regional Economic Outlook

Nonresidential Building Permits San Francisco Bay Area



Source: Construction Industry Research Board, ABAG



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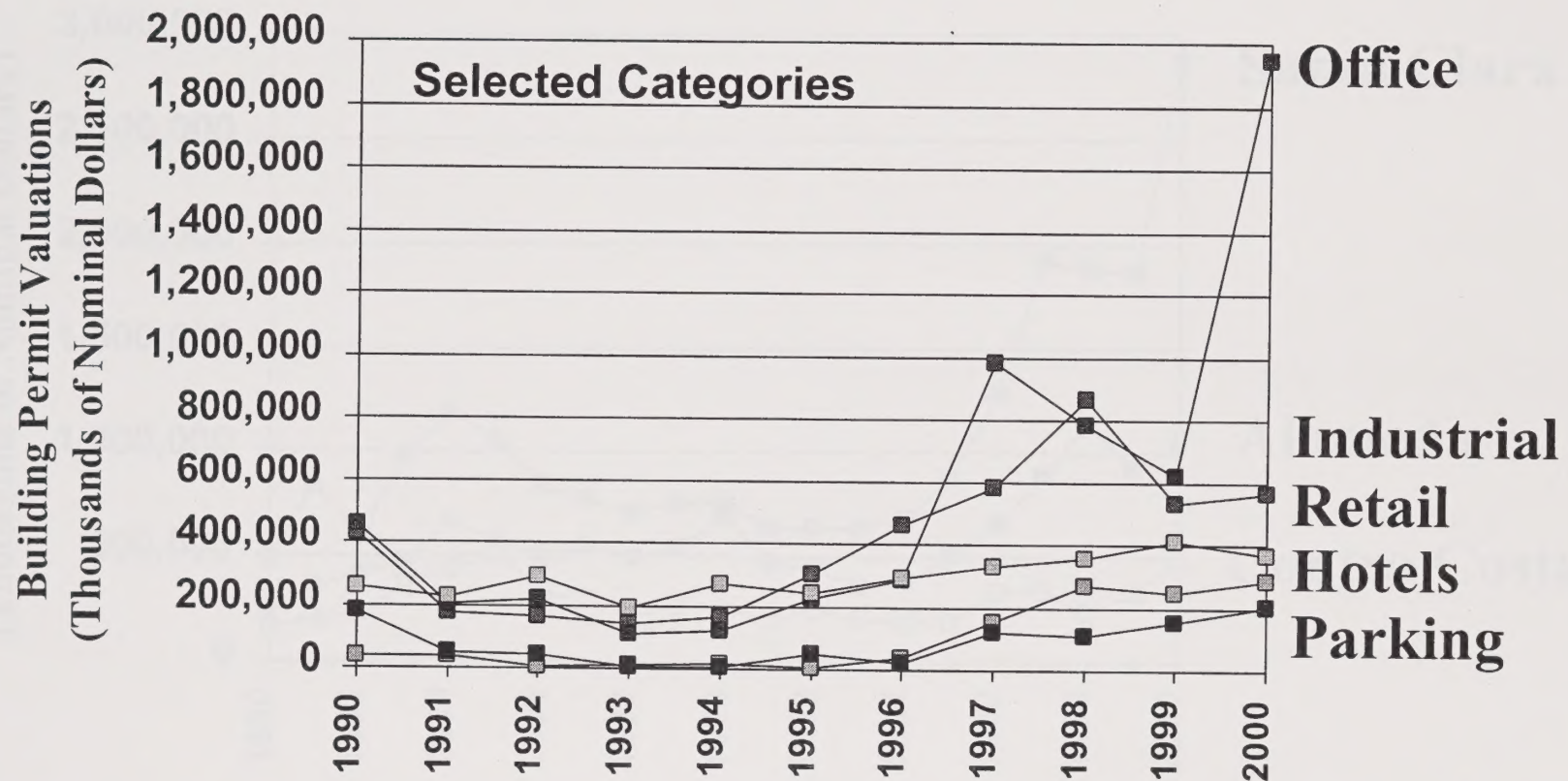
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Limits to Growth?

Regional Economic Outlook

Nonresidential Building Permits

San Francisco Bay Area



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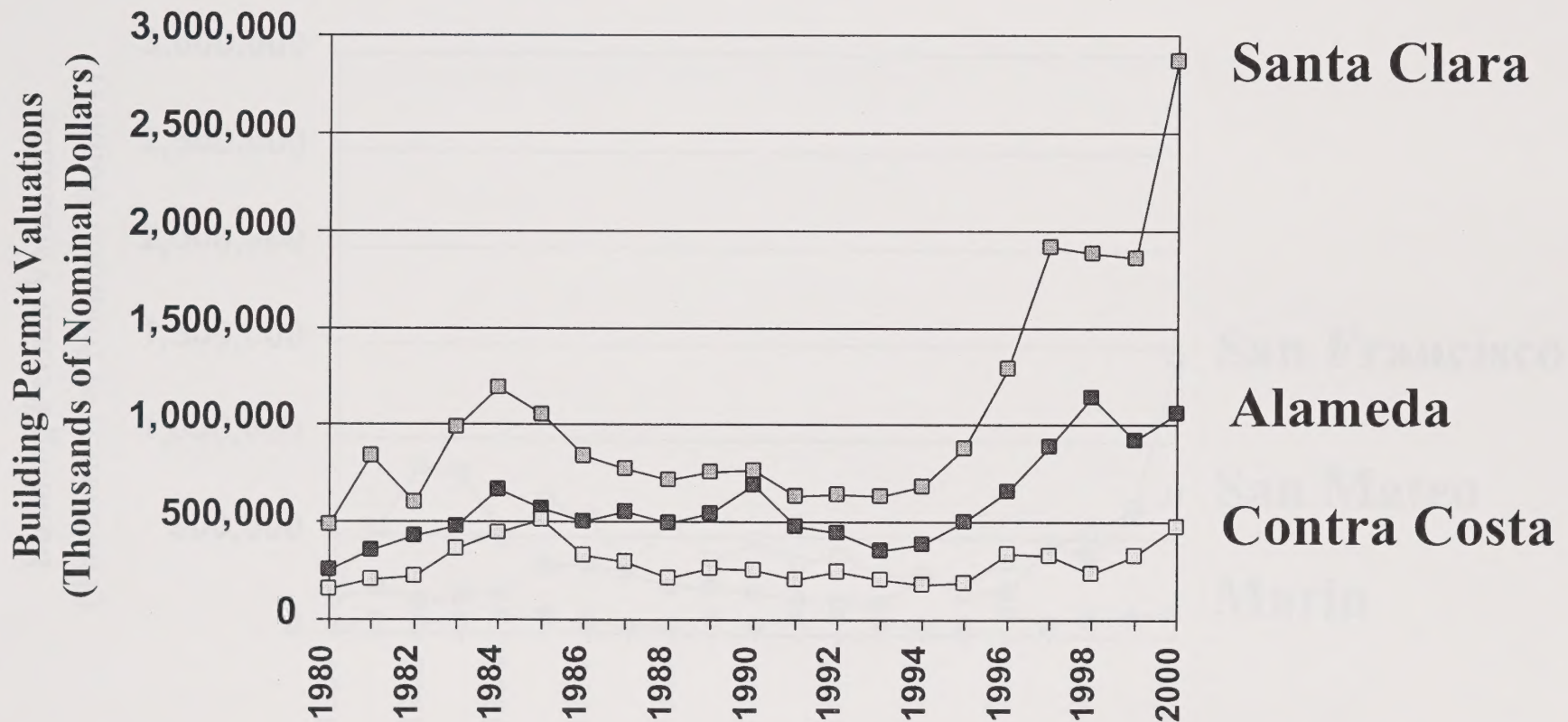
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Limits to Growth?

Regional Economic Outlook

Nonresidential Building Permits

East Bay & South Bay



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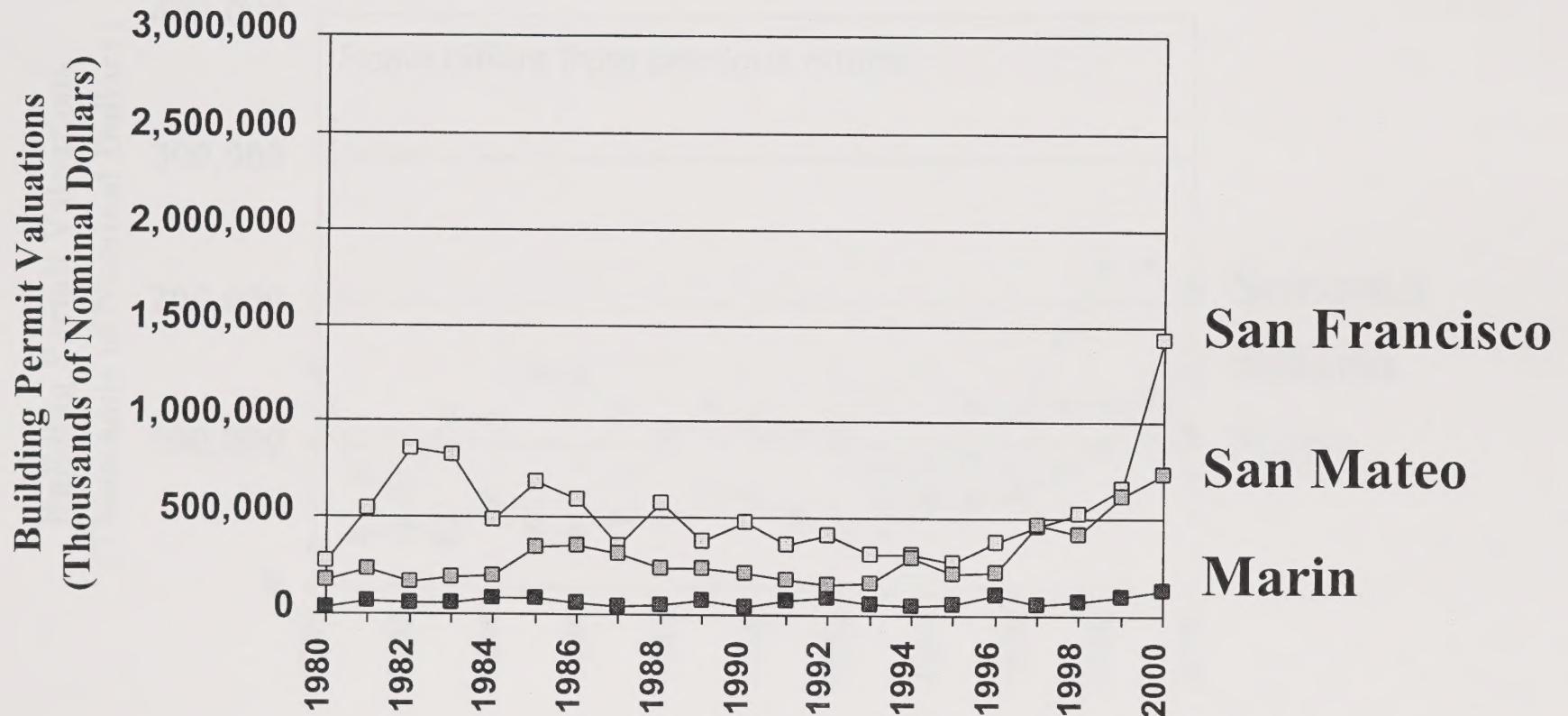
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Limits to Growth?
Regional Economic Outlook

Nonresidential Building Permits

West Bay



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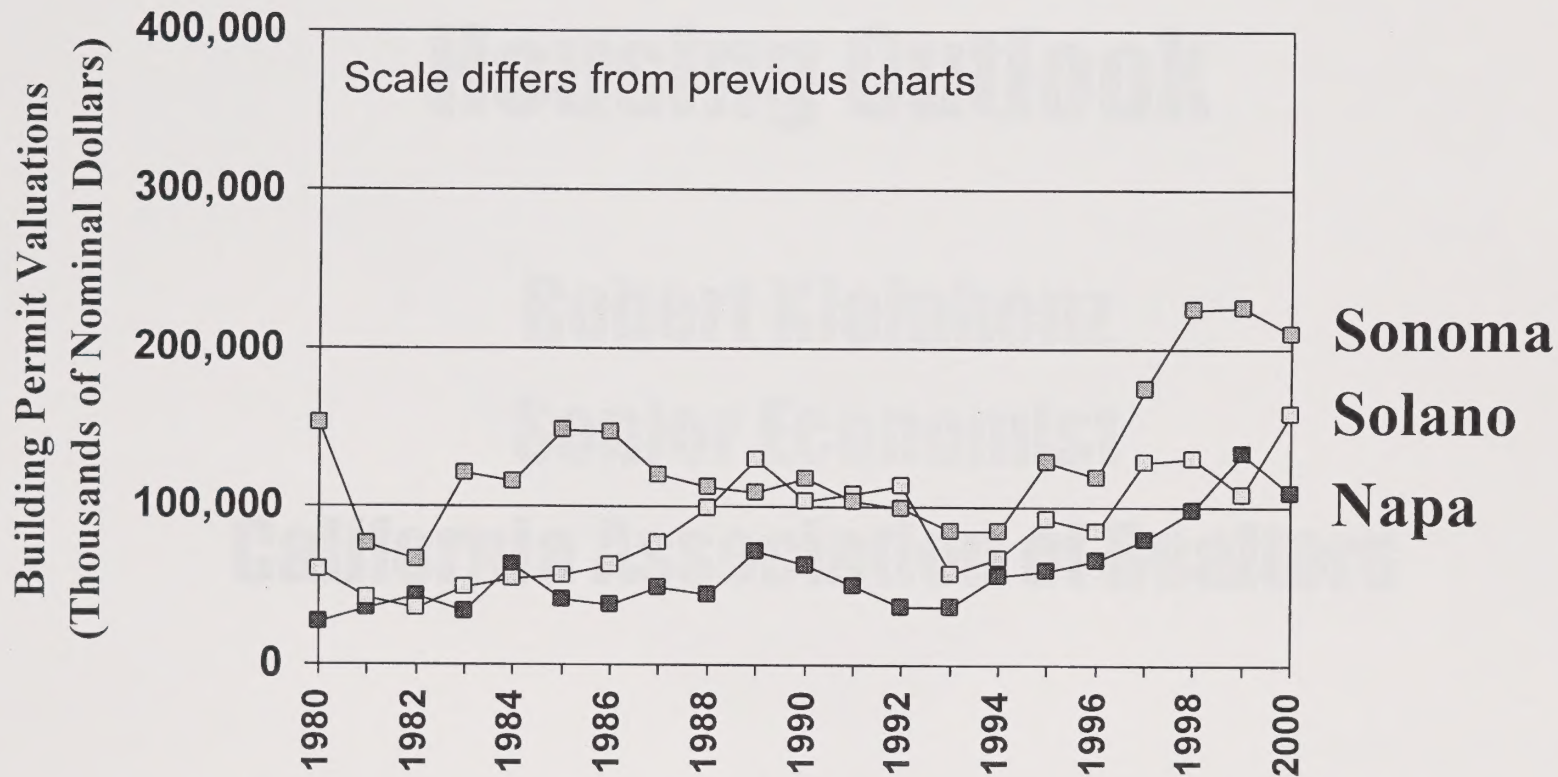
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Limits to Growth?

Regional Economic Outlook

Nonresidential Building Permits

North Bay



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Limits to Growth?

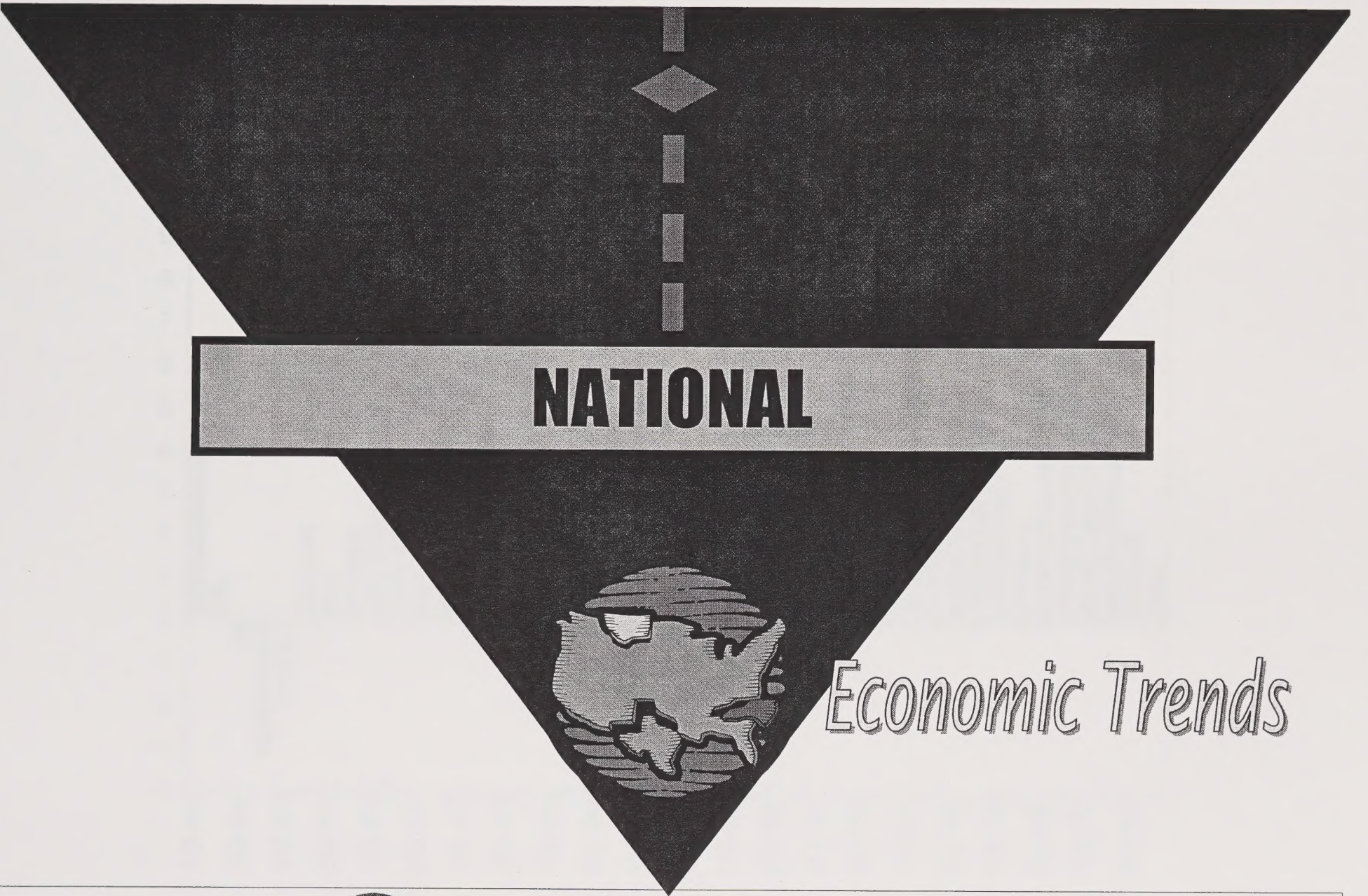
Regional Economic Outlook

2001 Economic and Housing Outlook

Robert Kleinhenz

Senior Economist

California Association of Realtors



NATIONAL



Economic Trends



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2001
2002

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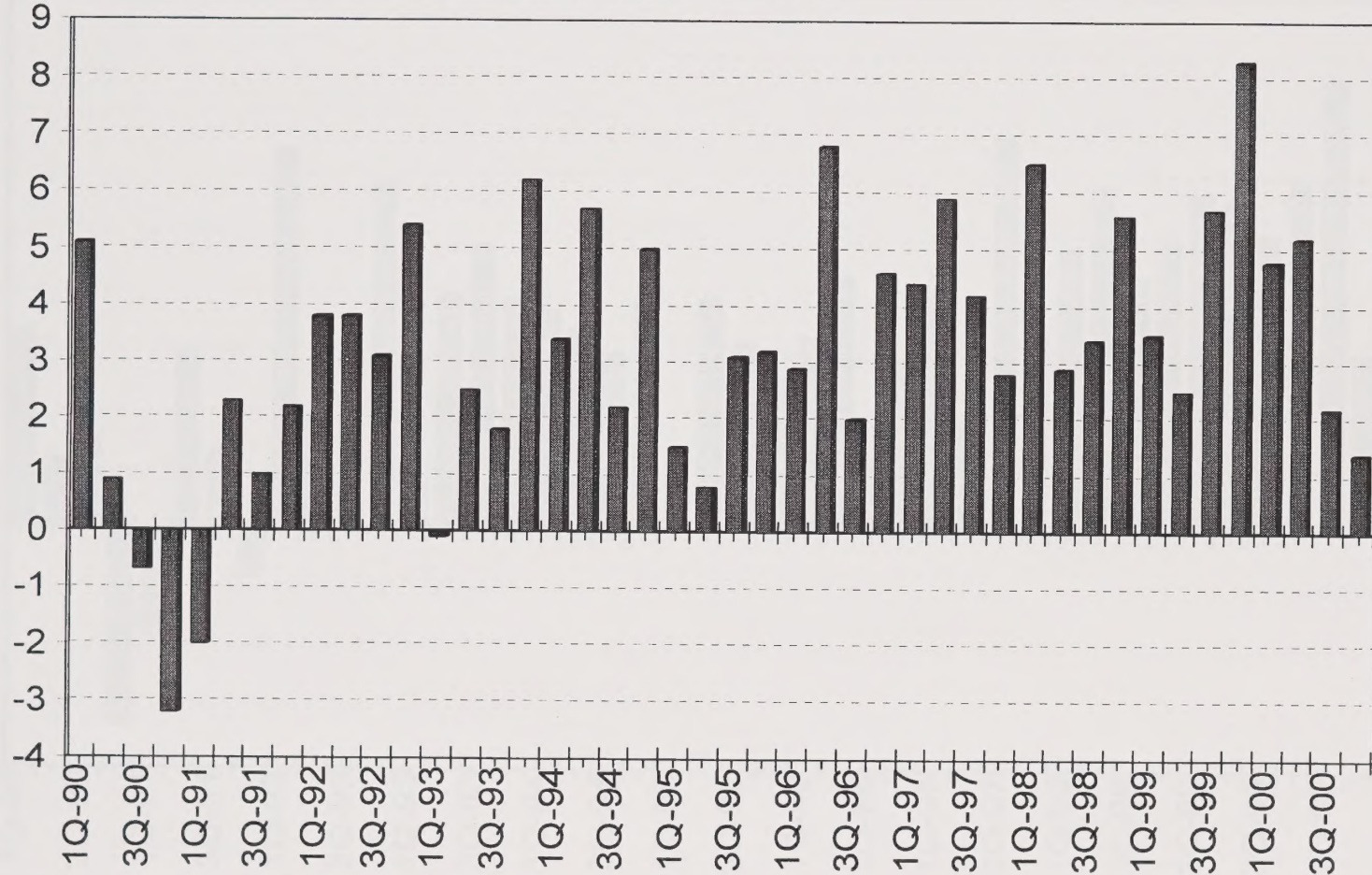
Limits to Growth?

Regional Economic Outlook

Gross Domestic Product

2000: Q4 1.4%

QUARTERLY PERCENT CHANGE, ANNUAL RATE



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2001
2002

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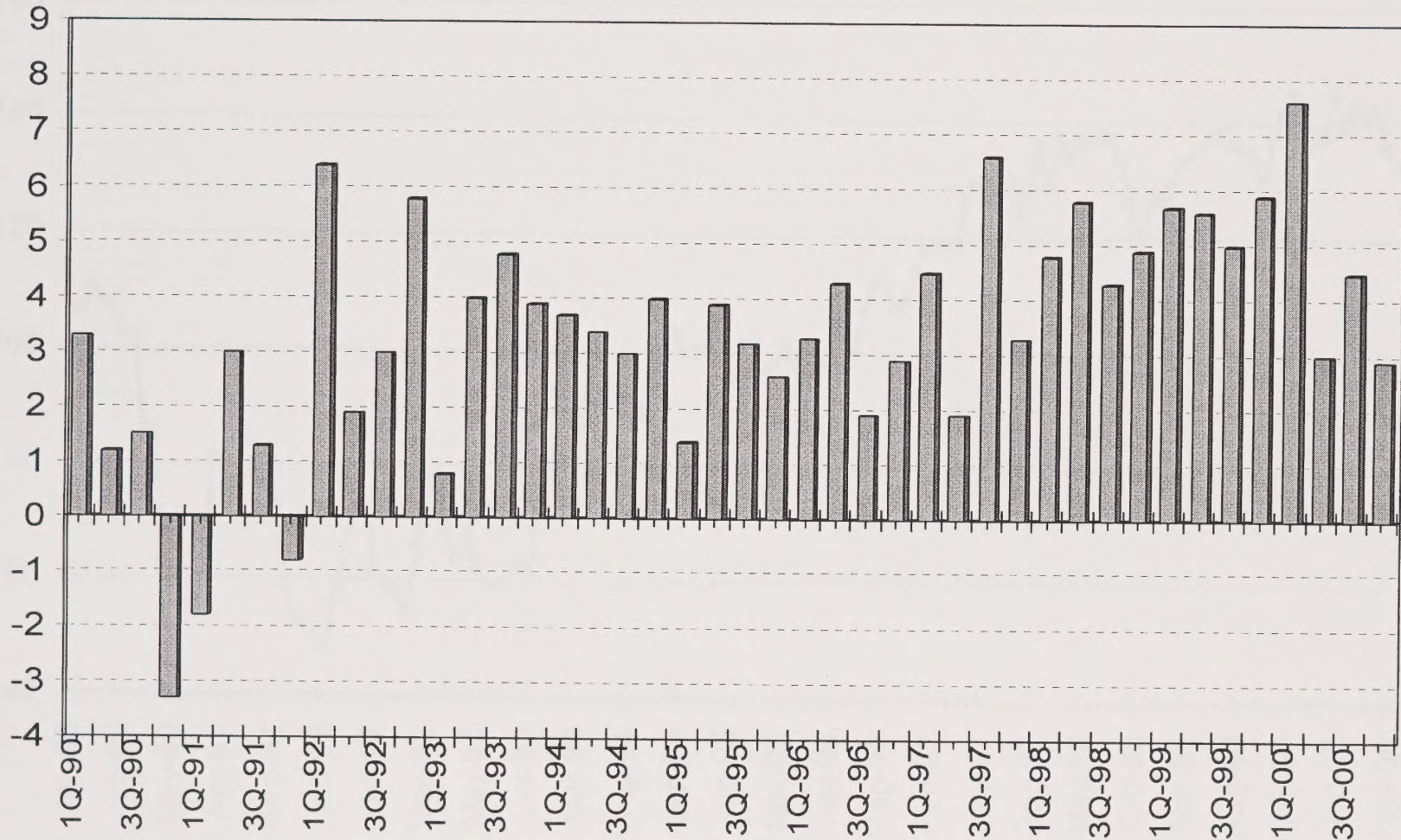
Limits to Growth?

Regional Economic Outlook

Personal Consumption

2000: Q4 2.9%

QUARTERLY PERCENT CHANGE, REAL ANNUAL RATE



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**2001
2002**

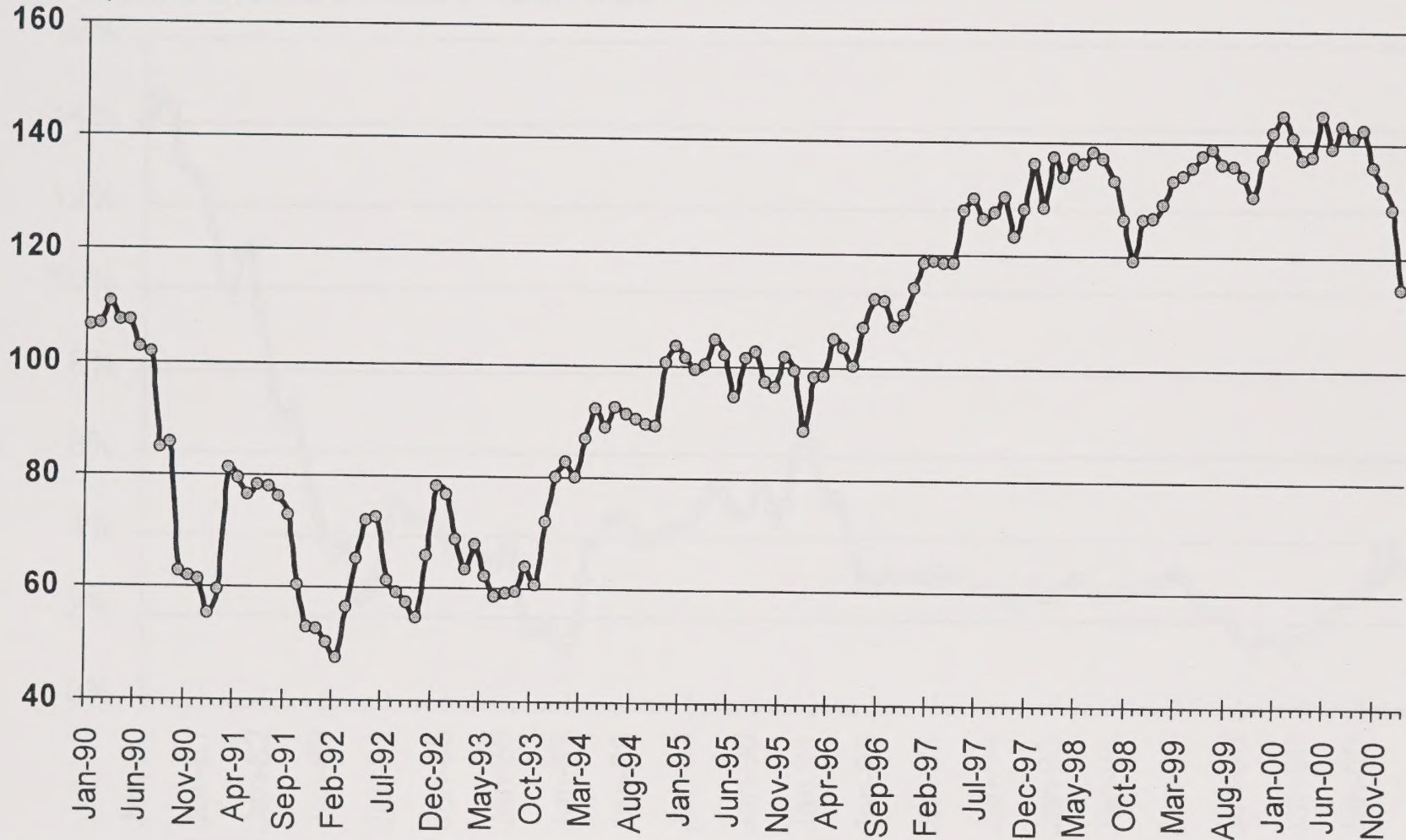
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Limits to Growth?

Regional Economic Outlook

Consumer Confidence Index

INDEX, 100=1985



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**2001
2002**

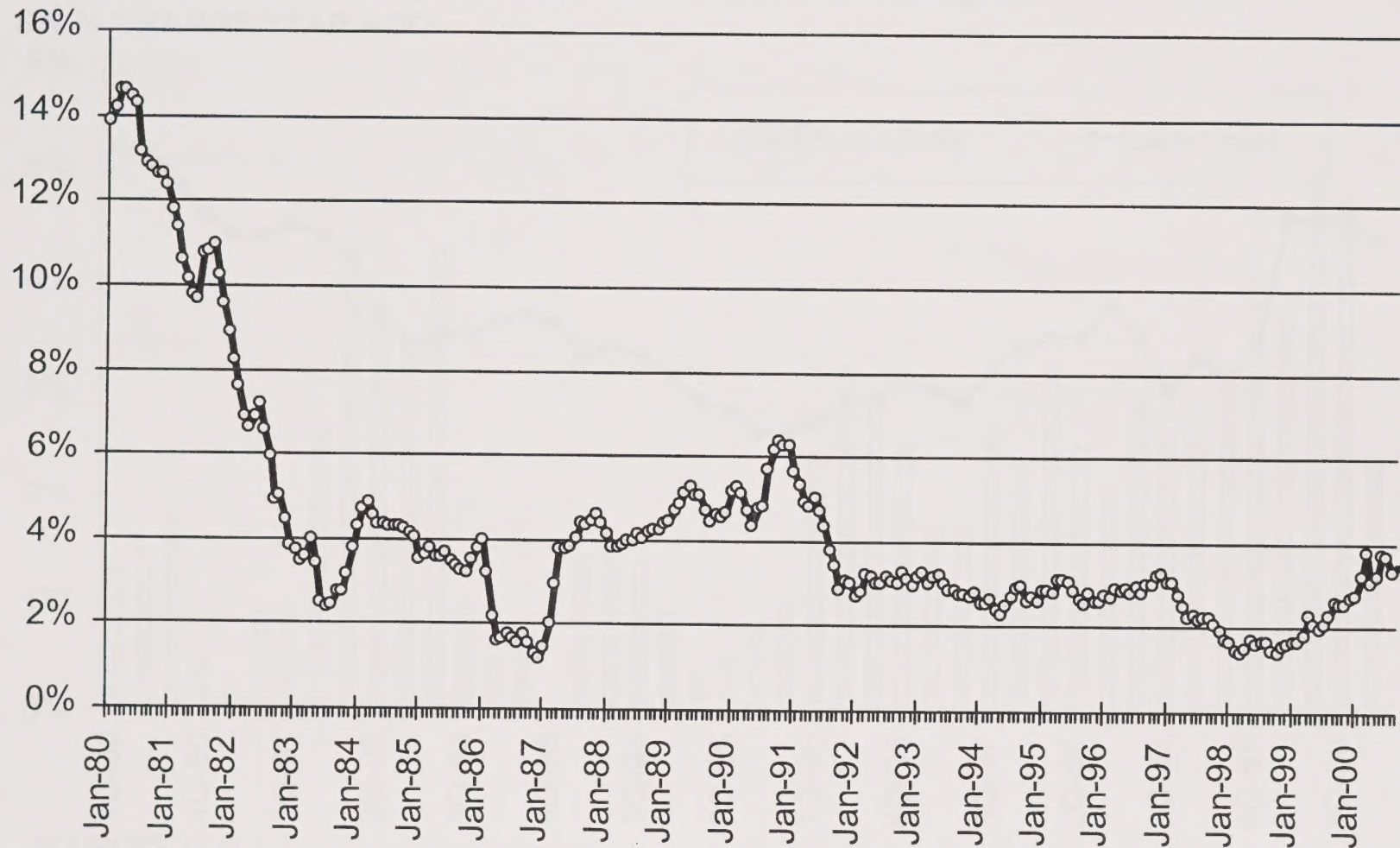
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Limits to Growth?

Regional Economic Outlook

Consumer Price Index

PERCENT CHANGE FROM A YEAR AGO



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2001
2002

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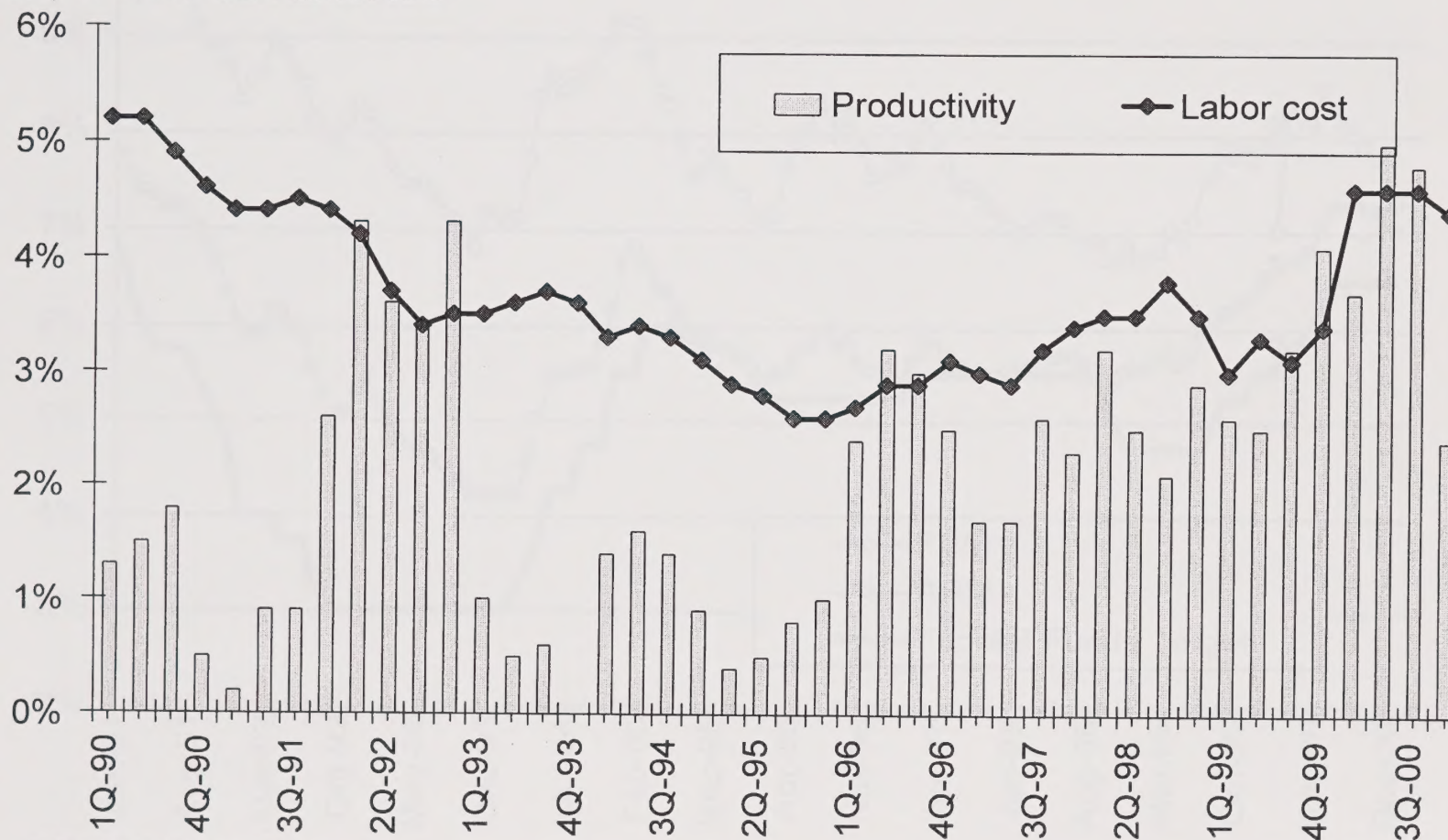
Limits to Growth?

Regional Economic Outlook

Productivity Vs Labor Cost

12 Month Percent Changes

SA, % CHANGE YEAR AGO



SOURCES: BLS



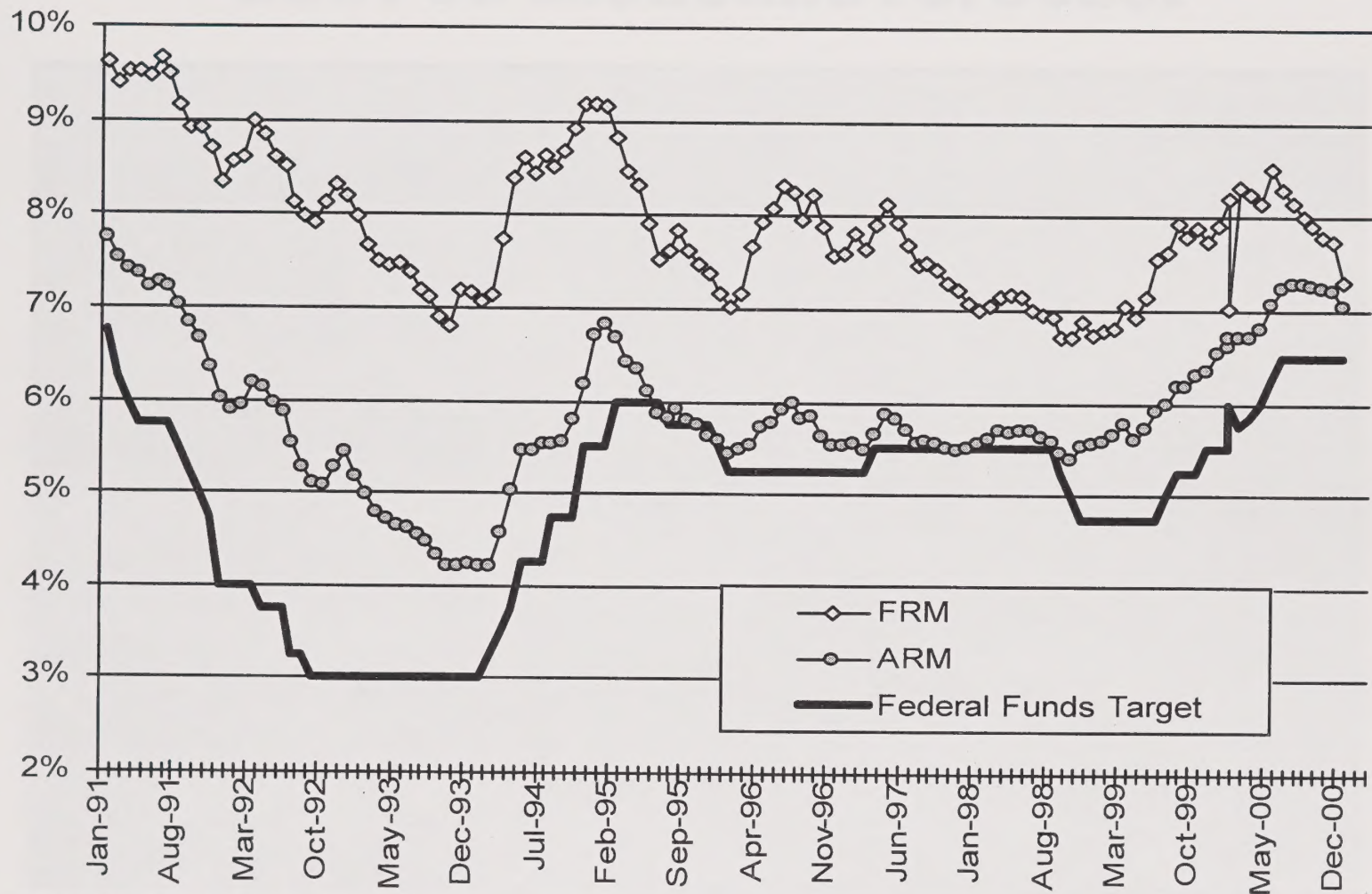
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2001
2002

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Limits to Growth?
Regional Economic Outlook

Mortgage Rates



SOURCE: Federal Home Loan Mortgage Corp.



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**2001
2002**

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Limits to Growth?
Regional Economic Outlook

2001 US Economic Forecast

	1999	2000	2001
US GDP	4.2%	5.0%	2.7%
Unemployment	4.2%	4.0%	4.2%
CPI	2.2%	3.4%	2.7%
30-Year	7.4%	8.0%	6.9%
ARM	6.0%	7.0%	6.3%



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2001
2002

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Limits to Growth?
Regional Economic Outlook

2001 US Housing Market Forecast

	1999	2000	2001
US Resales	5.2 m	5.0 m	5.1 m
Median Price	133,300	138,700	146,300
New Home Sales	907,000	894,000	894,000
Housing Starts	1,676,000	1,604,000	1,618,000



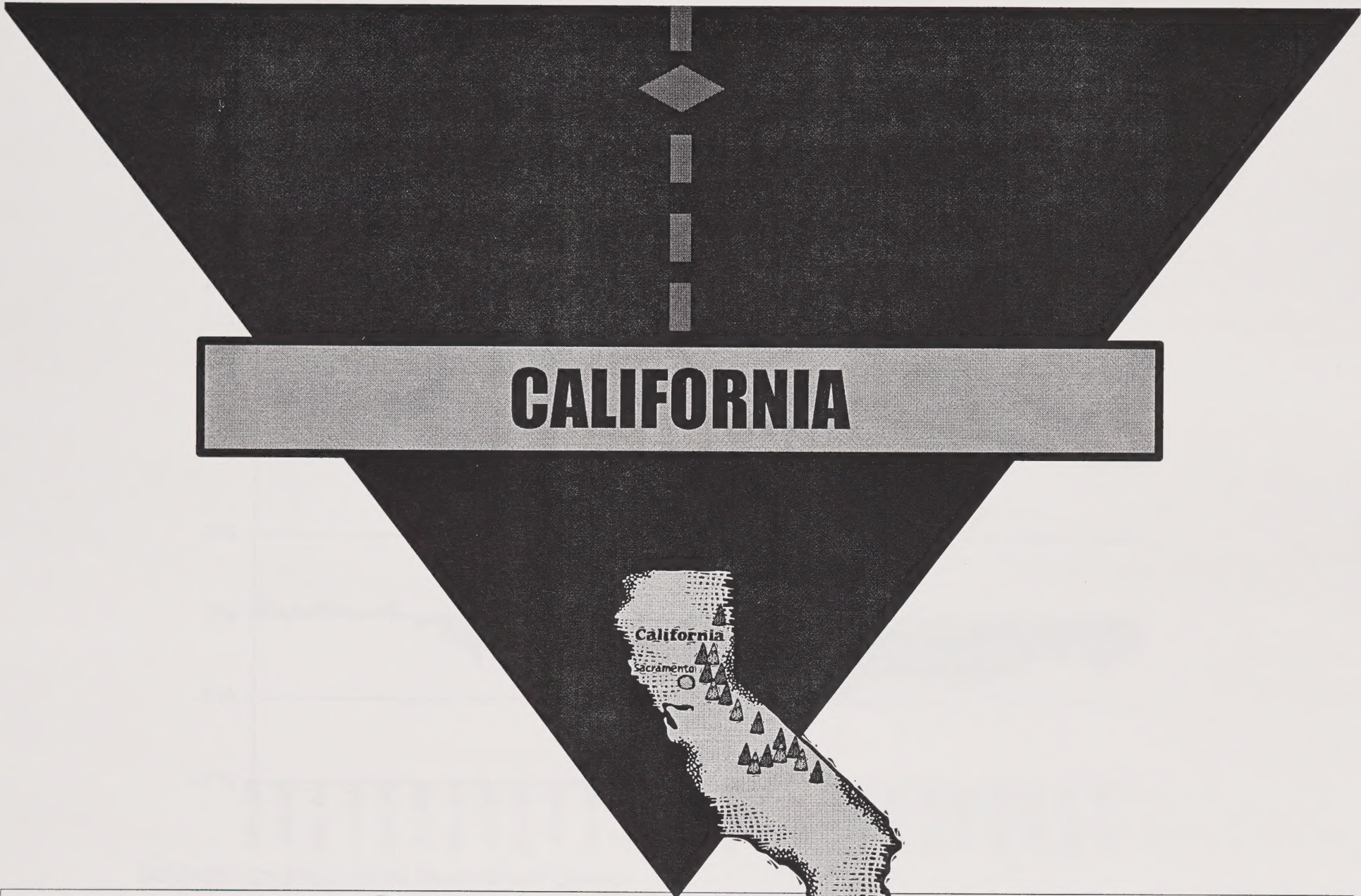
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2002

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Limits to Growth?

Regional Economic Outlook



CALIFORNIA



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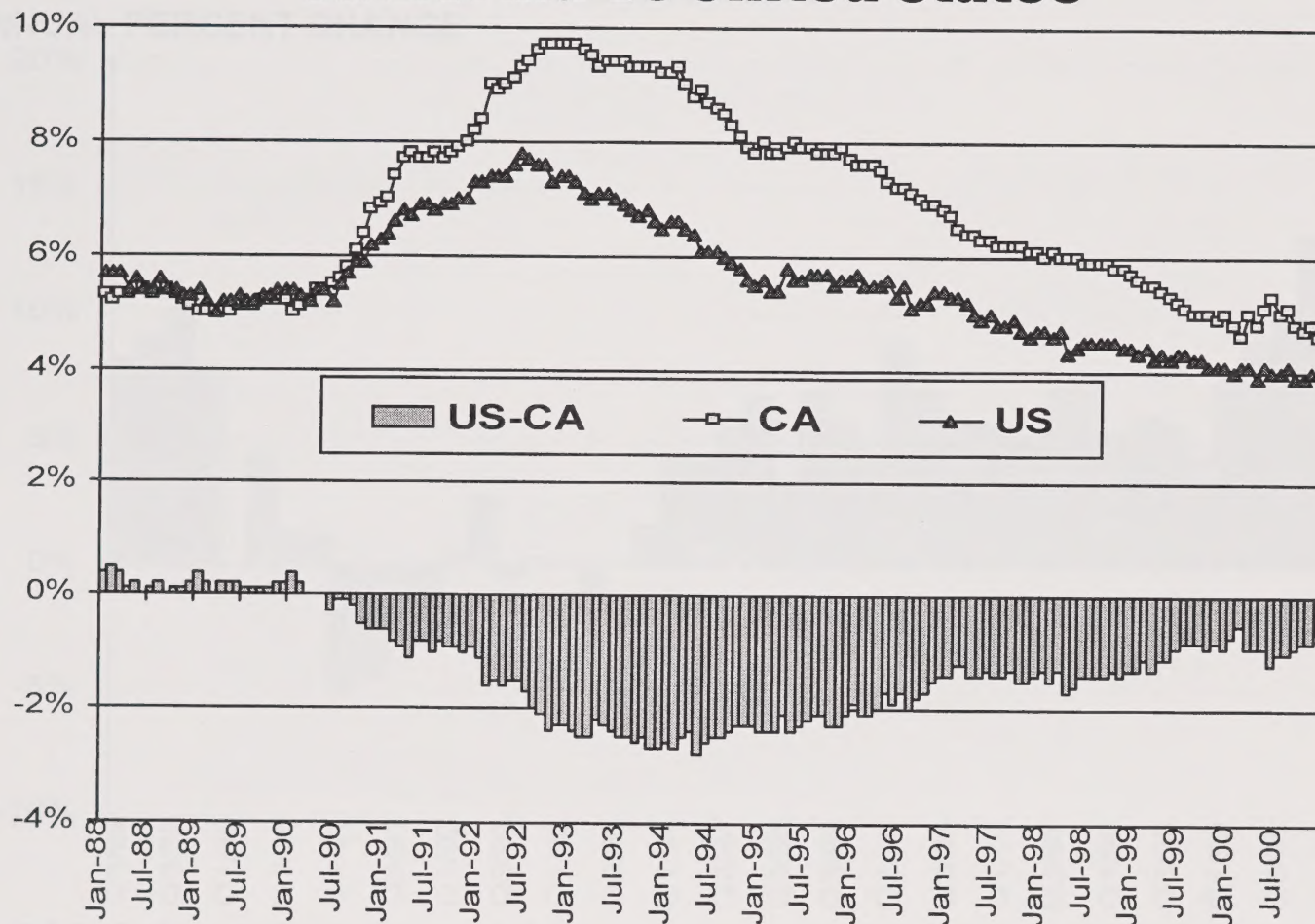
2001
2002

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Limits to Growth?

Regional Economic Outlook

Unemployment Rate California Vs United States



SOURCE: CA Employment Development Division



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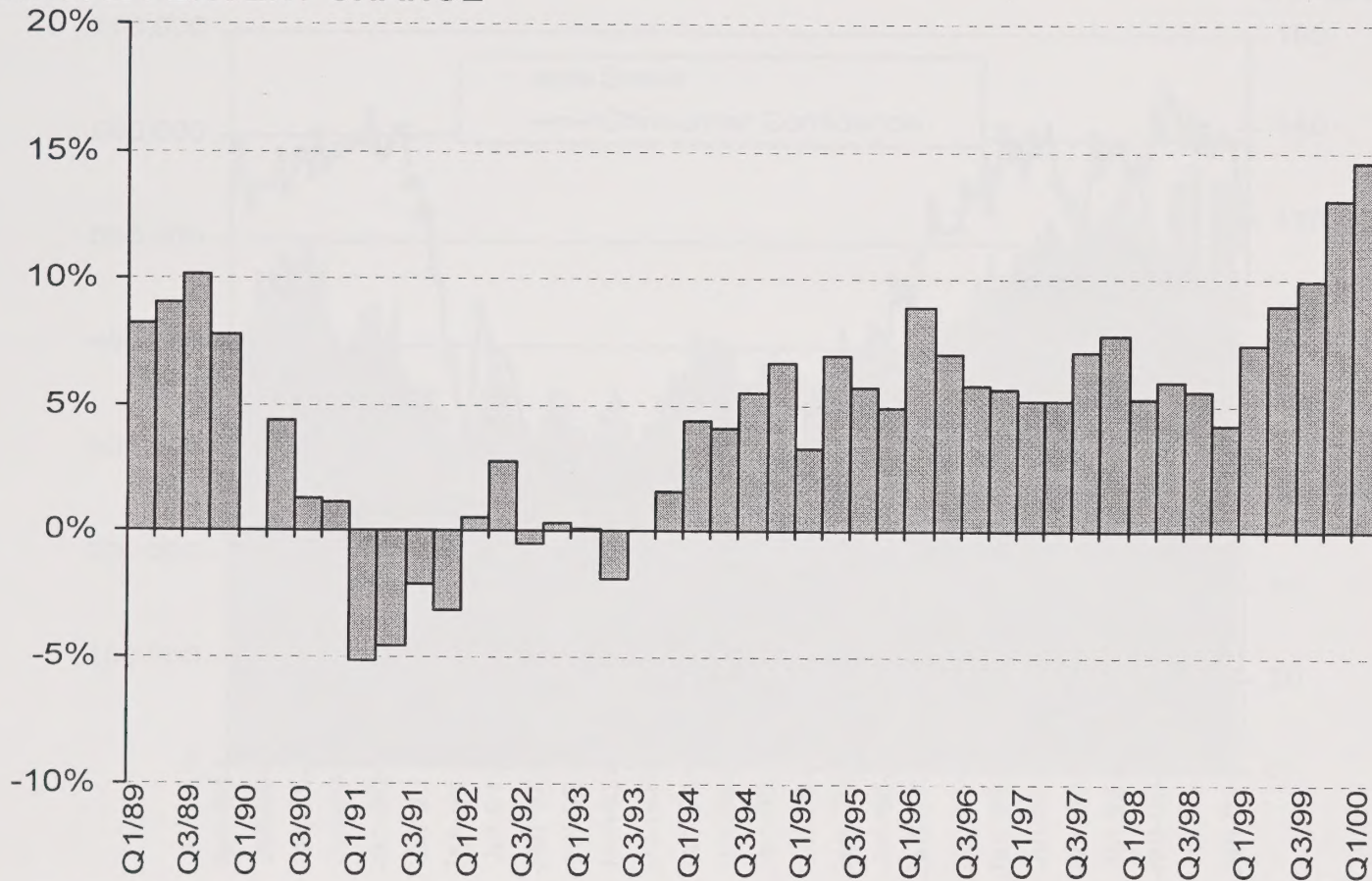
2001
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Limits to Growth?
Regional Economic Outlook

Taxable Sales California

ANNUAL PERCENT CHANGE



SOURCE: California State Board of Equalization



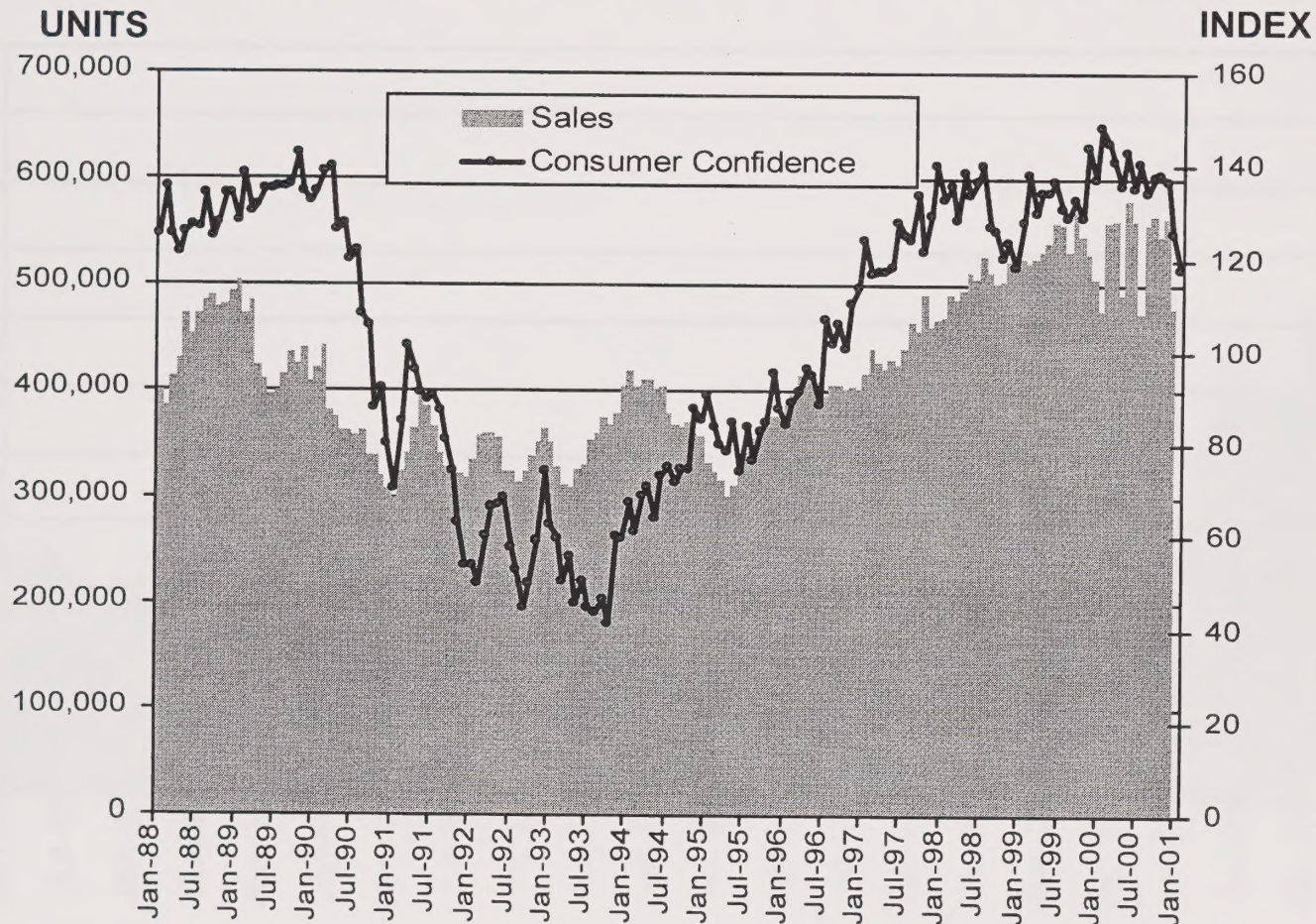
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2001
2002

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Limits to Growth?
Regional Economic Outlook

Sales of Detached Homes and Pacific West Consumer Confidence



SOURCE: California Association of REALTORS®; The Conference Board



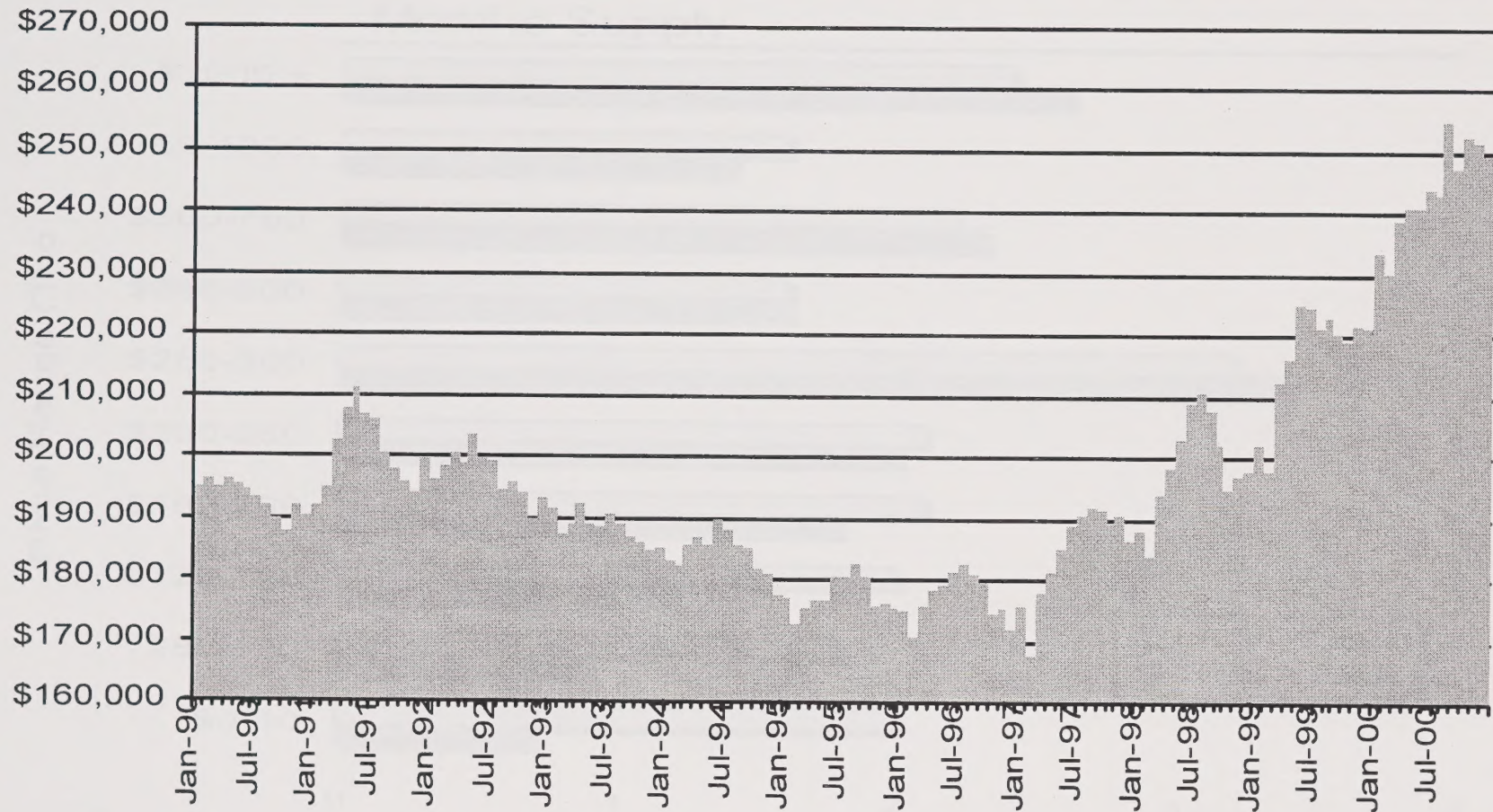
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**2001
2002**

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Limits to Growth?
Regional Economic Outlook

Median Home Price



SOURCE: California Association of REALTORS®



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2001
2002

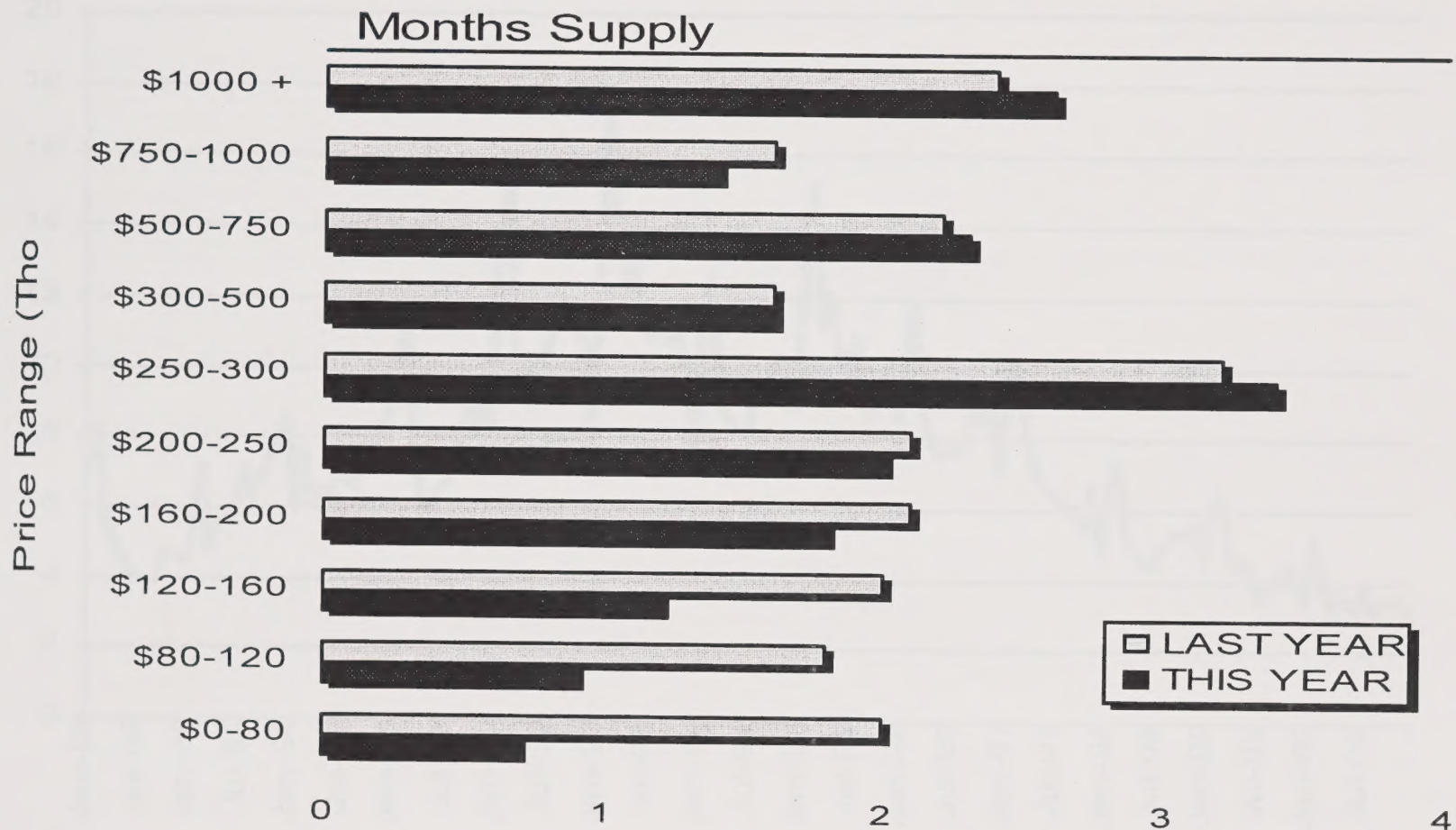
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Limits to Growth?

Regional Economic Outlook

Housing Supply

Existing Homes December 2000 Vs. December 1999



SOURCE: California Association of REALTORS®



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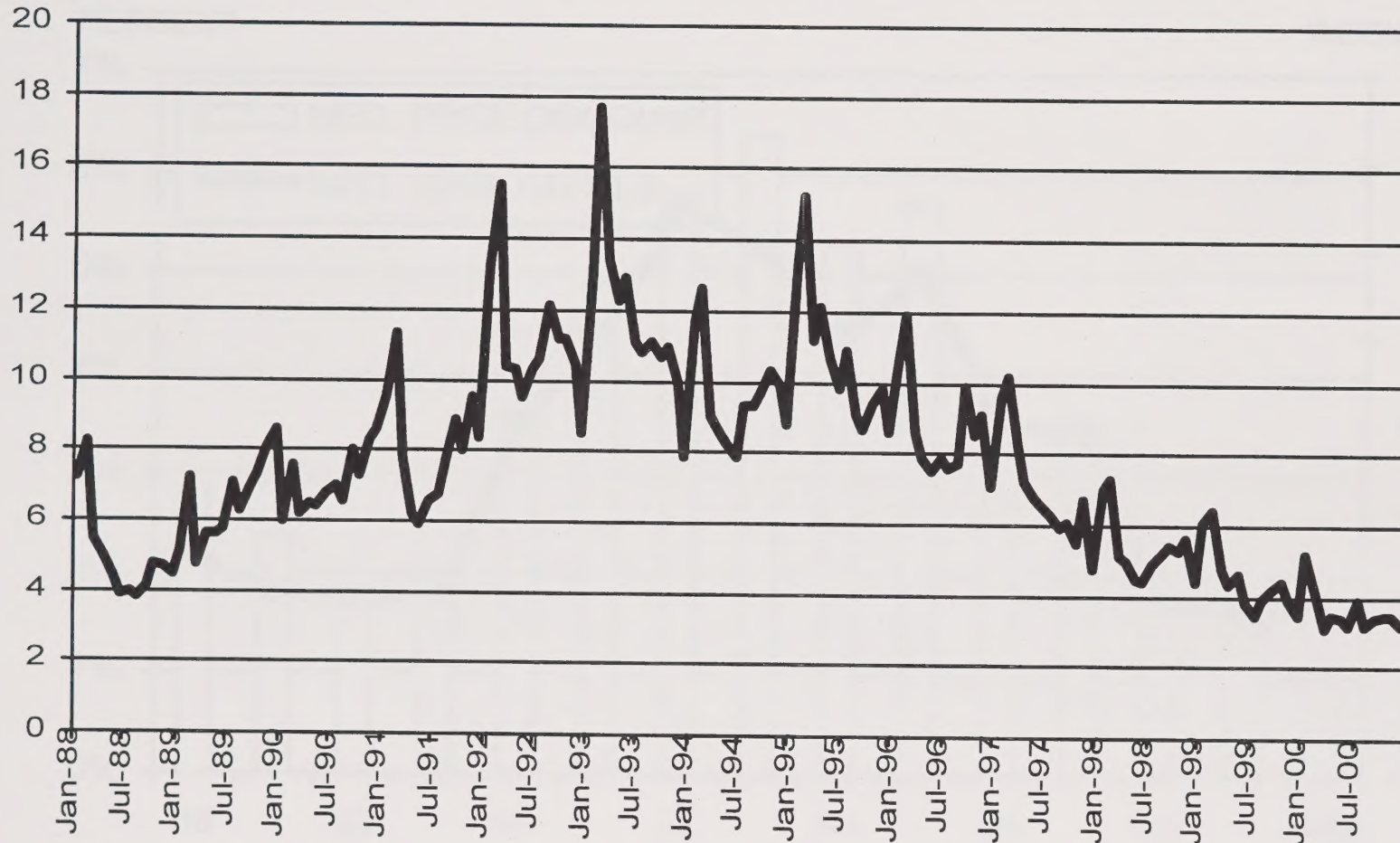
2001
2002

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Limits to Growth?
Regional Economic Outlook

Unsold Inventory Index

MONTHS



SOURCE: California Association of REALTORS®



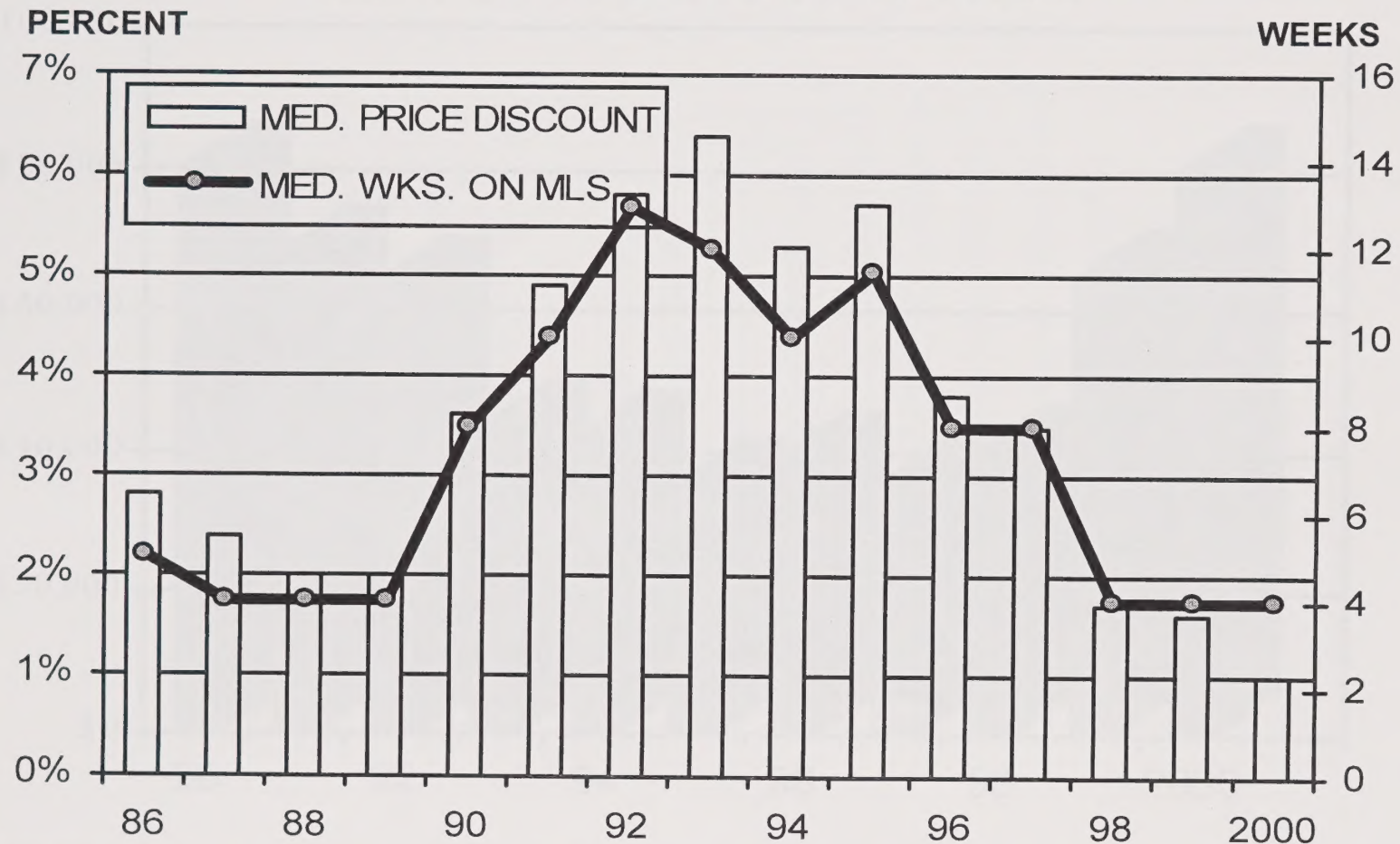
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Limits to Growth?
Regional Economic Outlook

Median Price Discount and Weeks on Market



SOURCE: California Association of REALTORS®



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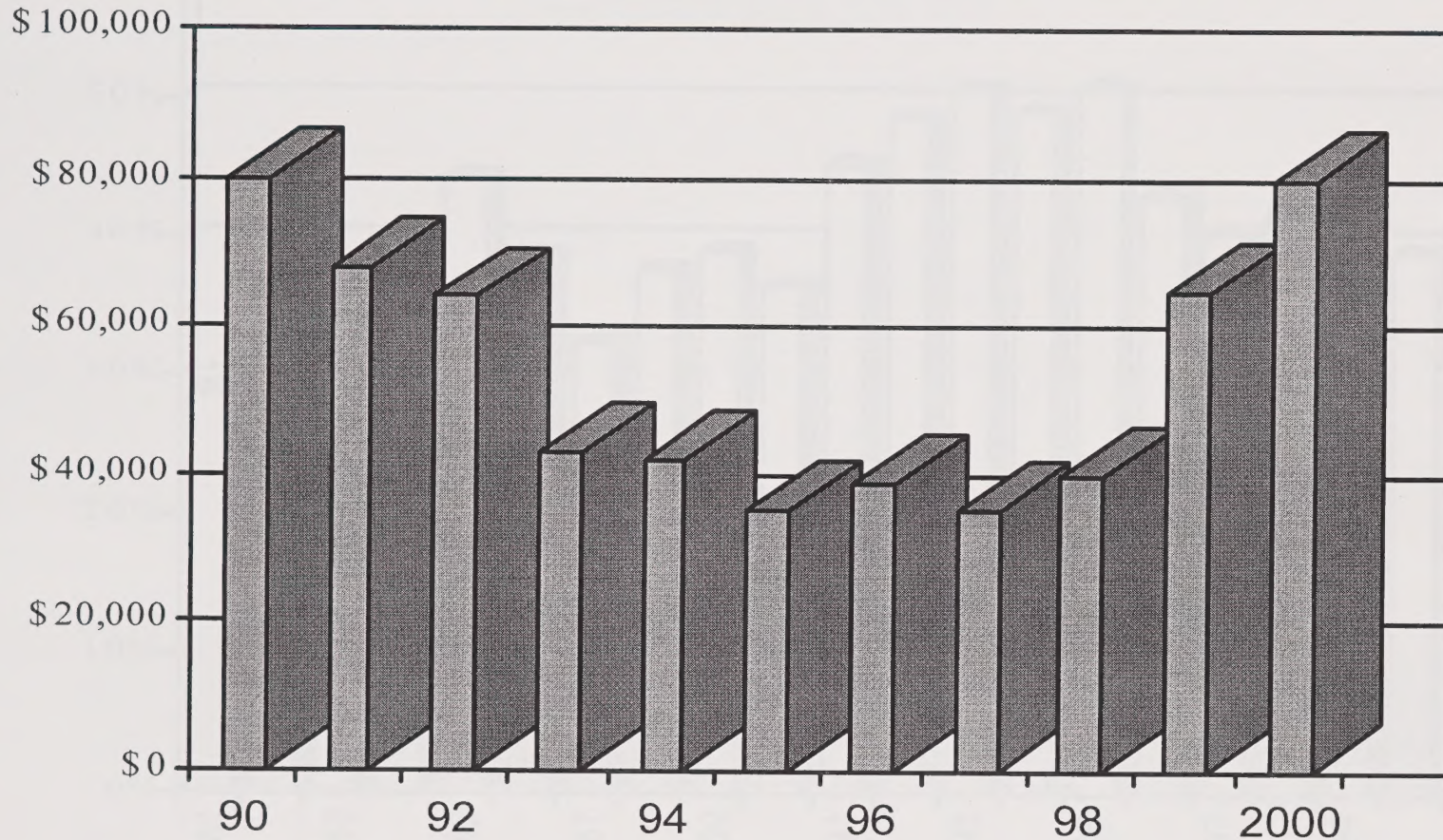
2001
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Limits to Growth?

Regional Economic Outlook

Median Net Cash to Sellers



SOURCE: California Association of REALTORS®



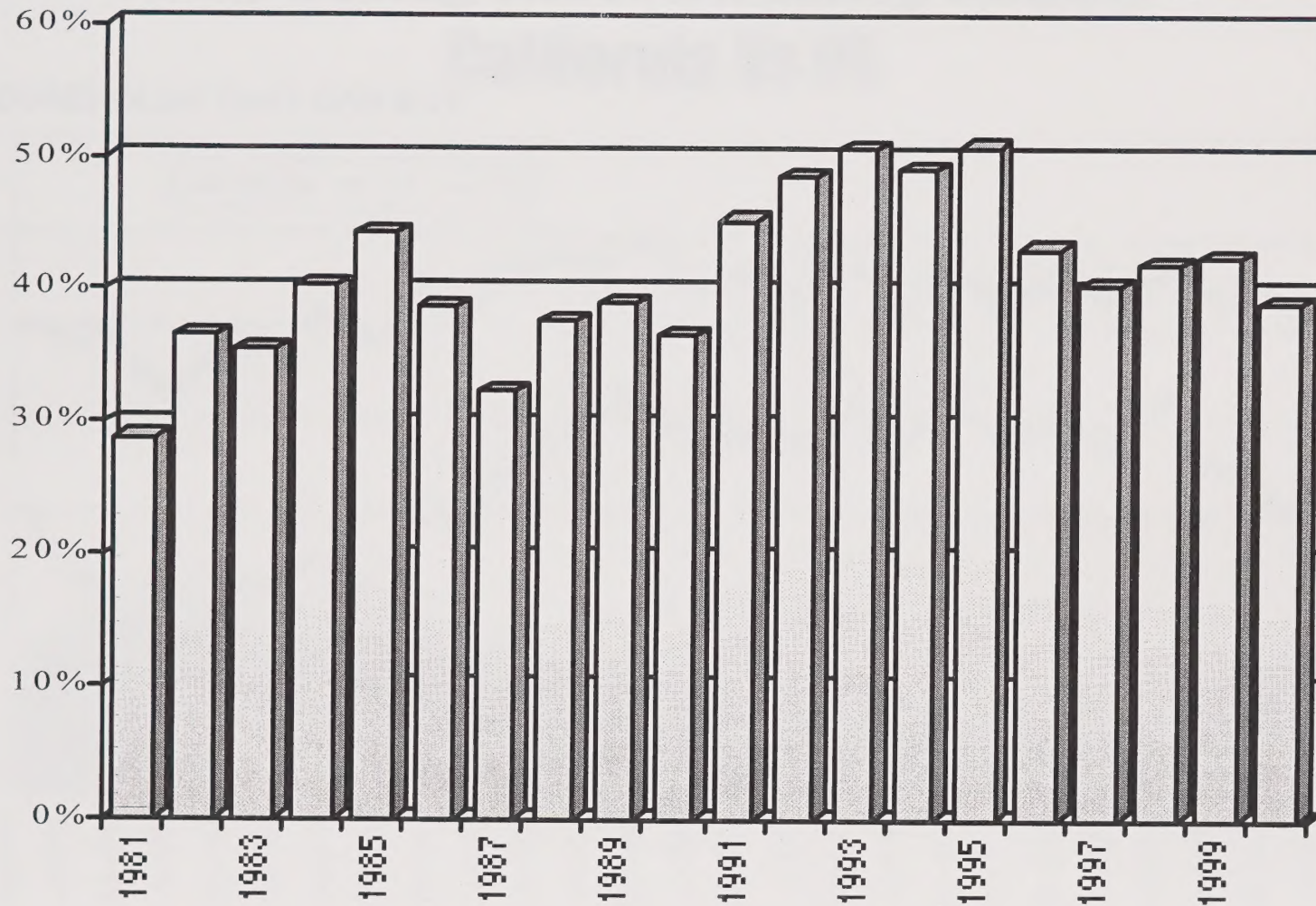
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2001
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Limits to Growth?
Regional Economic Outlook

Proportion of First-Time Homebuyers



SOURCE: California Association of REALTORS®



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2001
2002

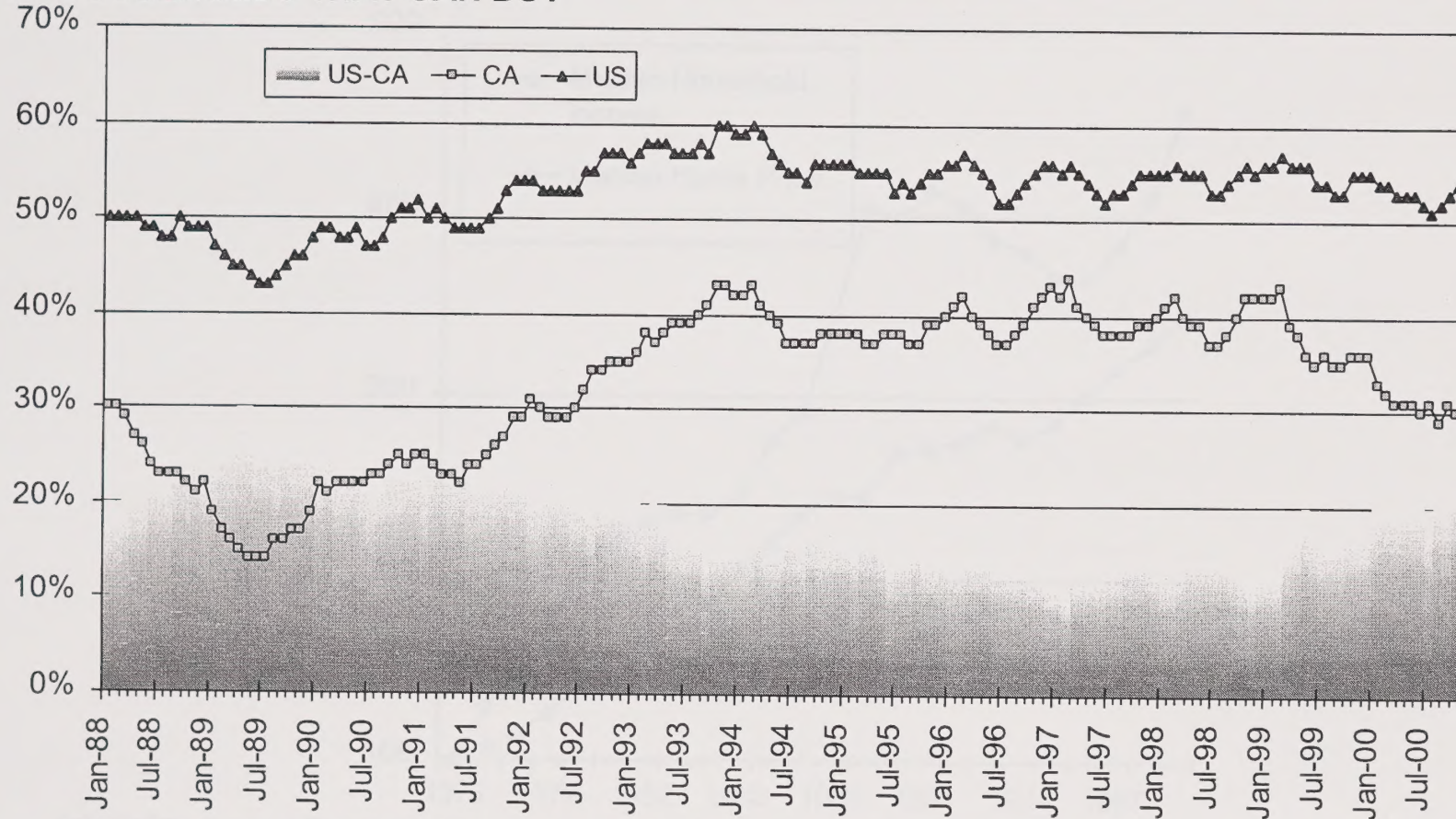
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Limits to Growth?
Regional Economic Outlook

Housing Affordability Index

California Vs US

% OF HOUSEHOLDS THAT CAN BUY



SOURCE: California Association of REALTORS®



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2001
2002

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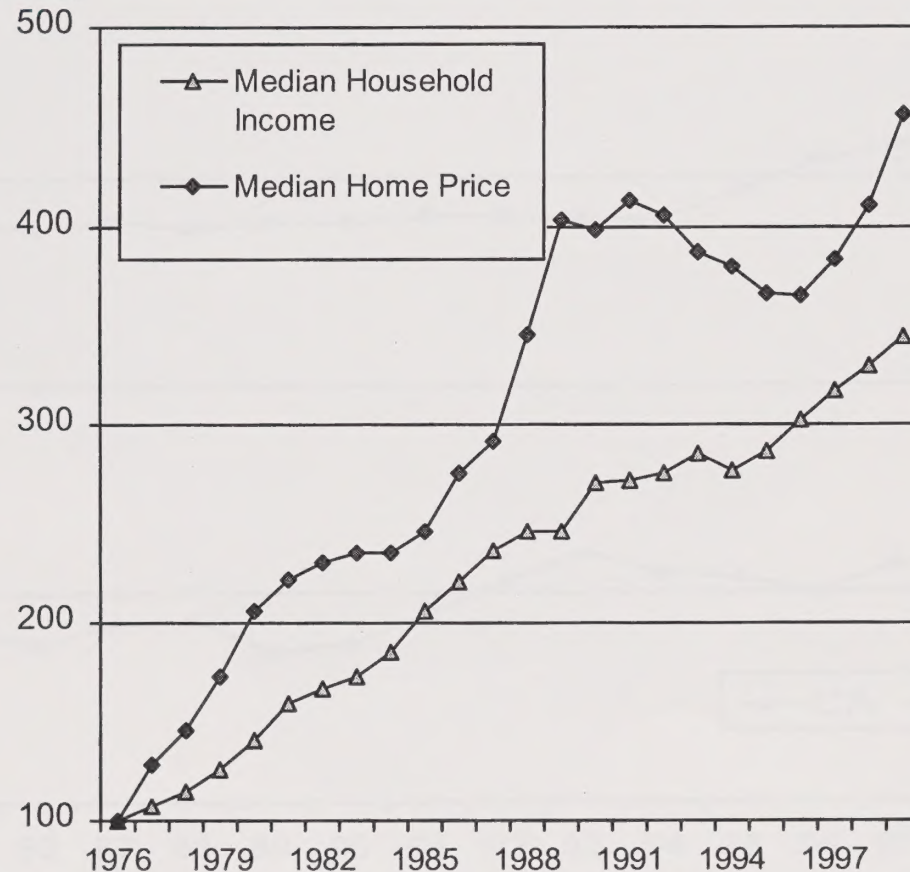
Limits to Growth?

Regional Economic Outlook

Income Growth Falling Behind Home Price Growth

Median Home Price Vs Median Household Income

INDEX: 1976=100



SOURCE: Current Population Survey; California Association of REALTORS®



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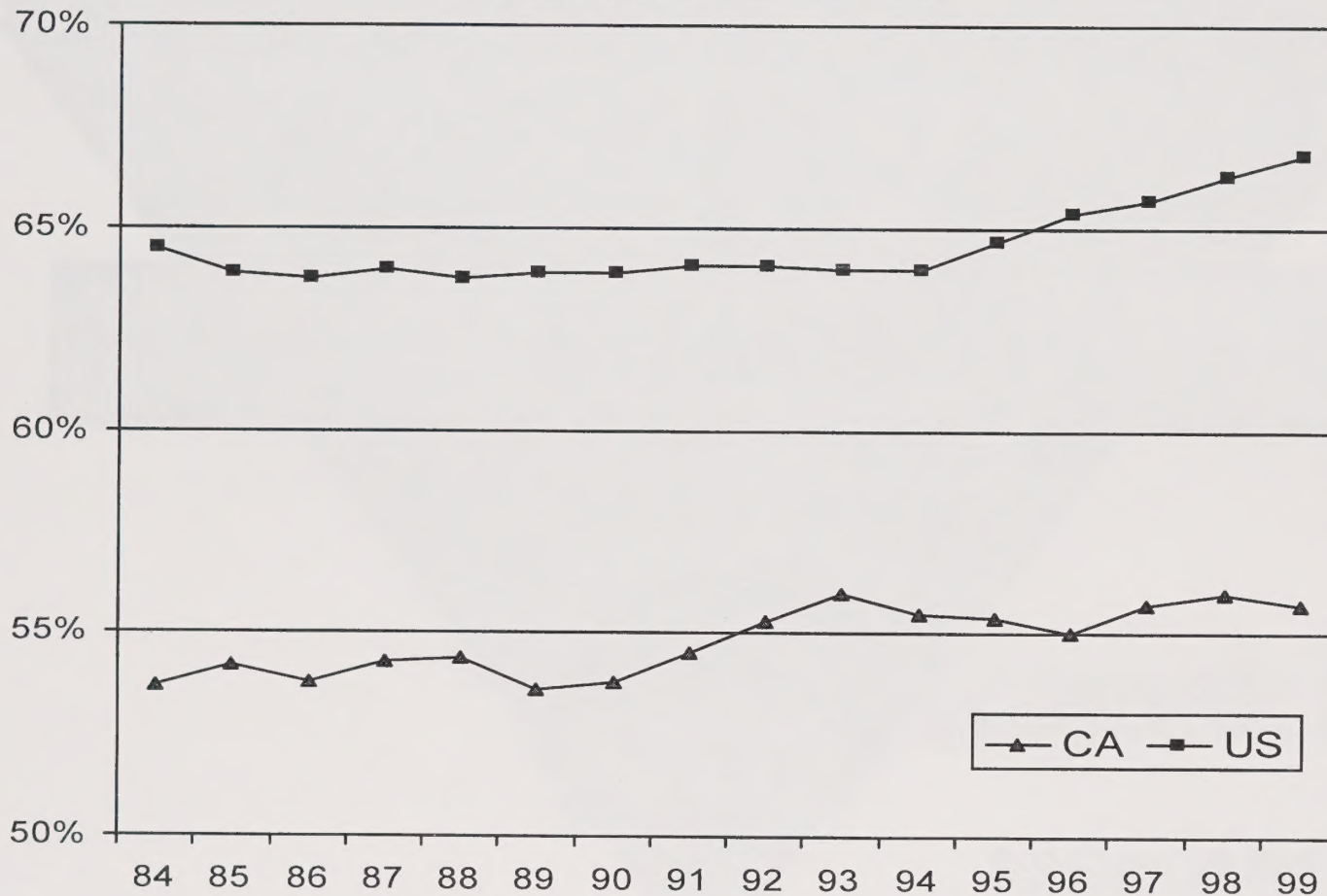
2001
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Limits to Growth?
Regional Economic Outlook

Homeownership Rates

California Vs US



SOURCE: U.S. Bureau of Census

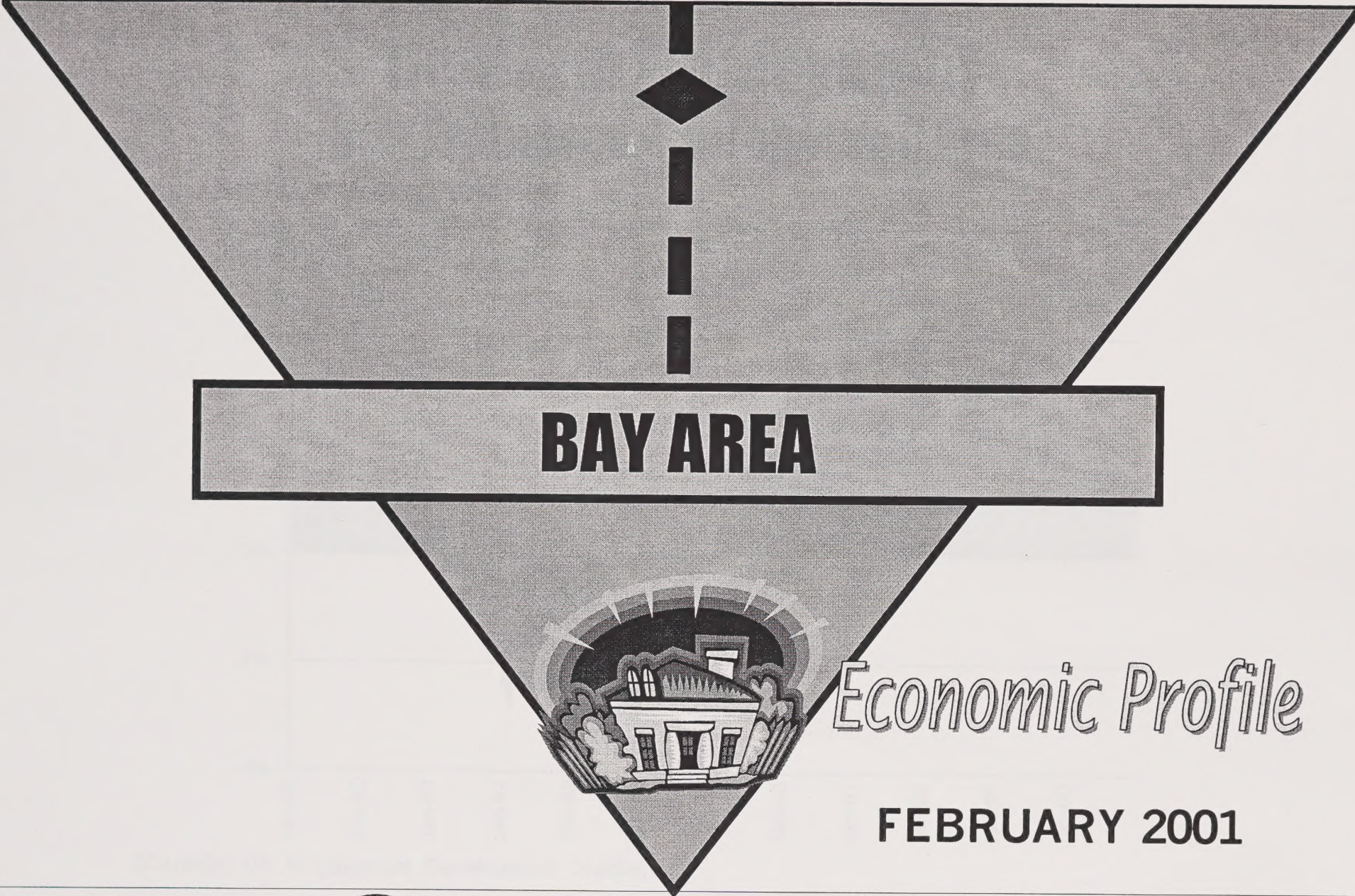


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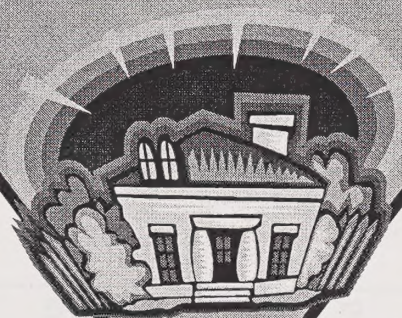
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Limits to Growth?
Regional Economic Outlook



BAY AREA



Economic Profile

FEBRUARY 2001



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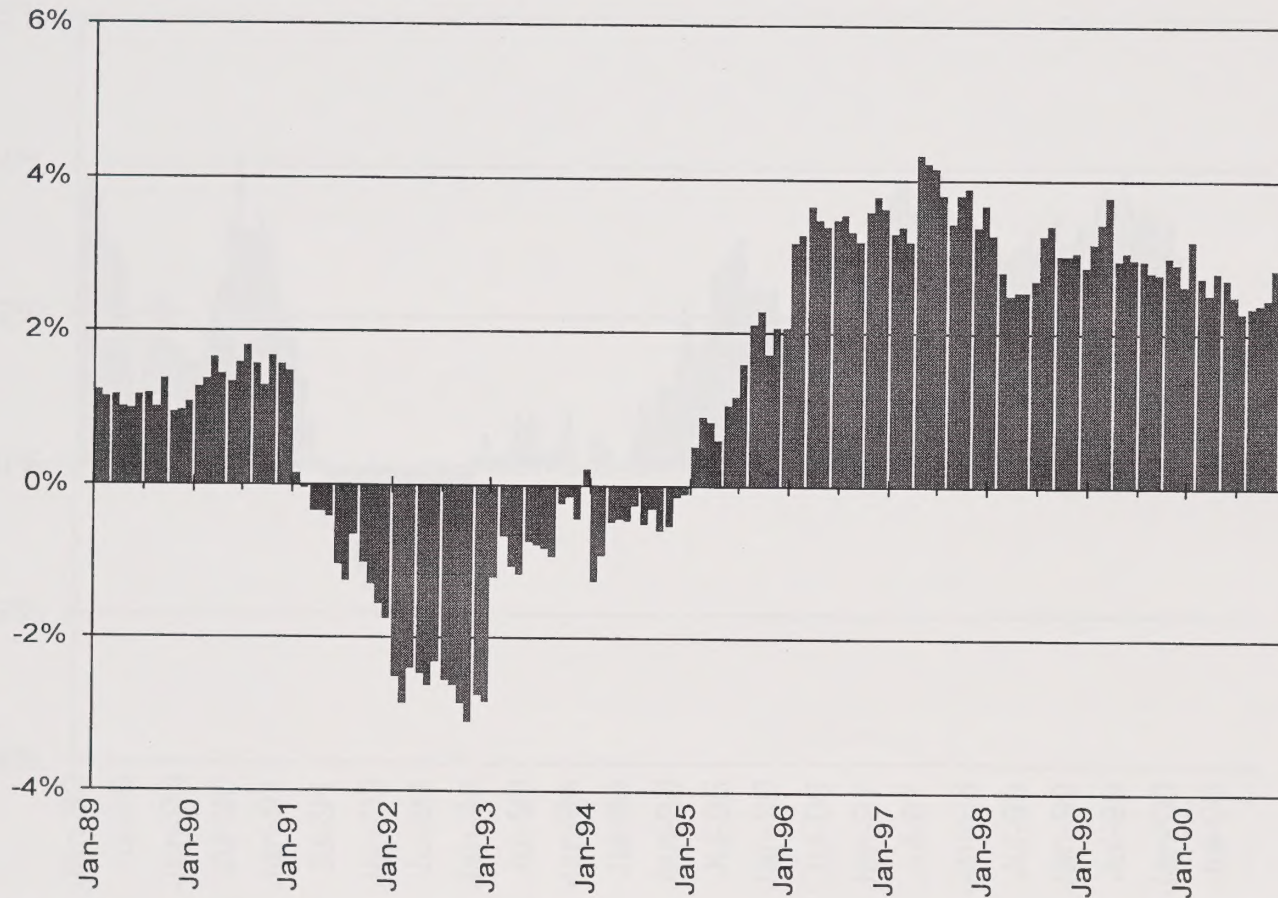
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Limits to Growth?

Regional Economic Outlook

Nonfarm Employment San Francisco Metropolitan Area

ANNUAL PERCENT CHANGE



SOURCE: CA Employment Development Division



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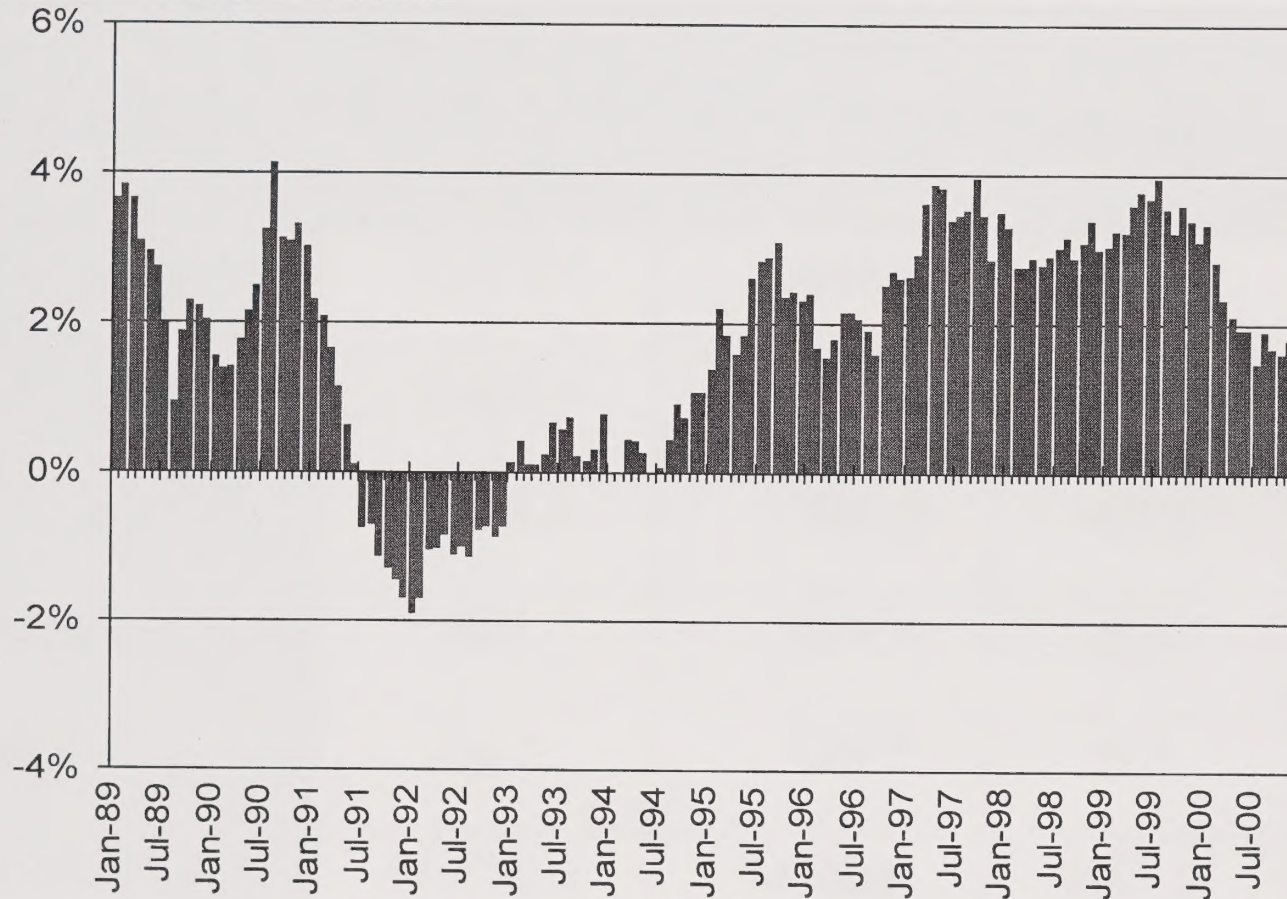
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Limits to Growth?
Regional Economic Outlook

Nonfarm Employment Oakland Metropolitan Area

ANNUAL PERCENT CHANGE



SOURCE: CA Employment Development Division



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Limits to Growth?

Regional Economic Outlook

Nonfarm Employment By Region

(Thousands)	Nonfarm Employment Dec. 2000	Nonfarm Employment Dec. 1999	Difference	Percent Change
Southern California	8,073.5	7,846.8	198.7	2.5%
Bay Area	2,429.4	2,361.5	60.1	2.5%
Central Valley	1,829.5	1,786.6	42.9	2.4%
Central Coast	488	479.1	8.9	2.4%
North Central	134.1	128.6	5.5	4.3%
CALIFORNIA	14,750.2	14,309	441.2	3.1%



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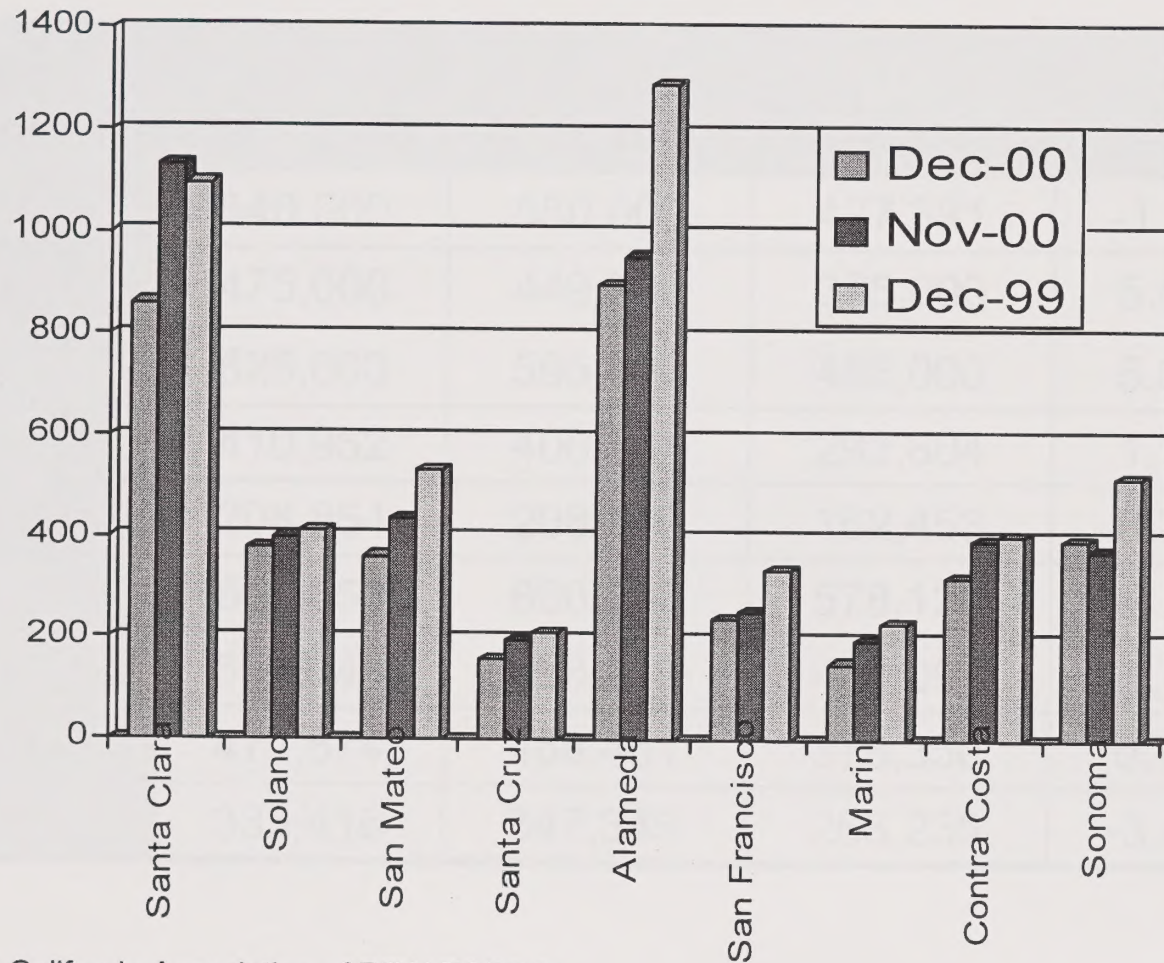
2001
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Limits to Growth?

Regional Economic Outlook

Home Sales in Bay Area Counties



SOURCE: California Association of REALTORS®



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Limits to Growth?
Regional Economic Outlook

Median Home Price in Bay Area Counties

County	Dec. 2000	Nov. 2000	Dec. 1999	M-t-M	Y-t-Y
Santa Clara	540,000	550,000	427,381	-1.8%	26.4%
Santa Cruz	475,000	449,950	375,000	5.6%	26.7%
San Mateo	625,000	595,000	488,000	5.0%	28.1%
Alameda	410,952	406,364	292,804	1.1%	40.4%
Solano	208,854	208,219	162,453	0.3%	28.6%
Marin	658,653	660,156	578,125	-0.2%	13.9%
San Francisco	551,948	558,219	434,091	-1.1%	27.2%
Contra Costa	471,874	468,461	378,350	0.7%	24.7%
Sonoma	335,416	347,345	263,235	-3.4%	27.4%

SOURCE: California Association of REALTORS®



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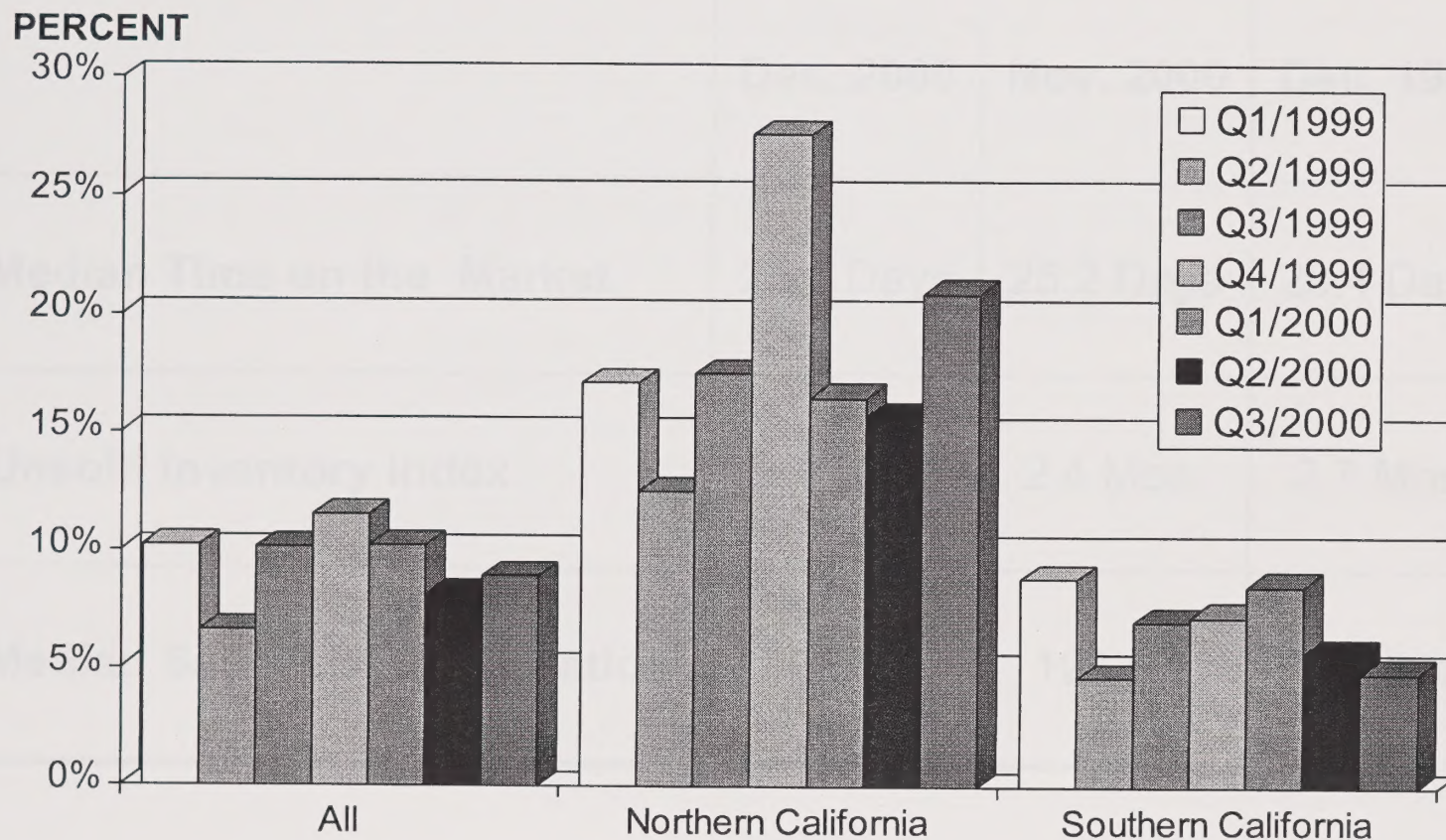
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Limits to Growth?
Regional Economic Outlook

California Housing and the Stock Market

Percent the Stock Market Played a Role in Decision to Buy or Sell



SOURCE: California Association of REALTORS®



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Limits to Growth?
Regional Economic Outlook

Supply Indicators

	Dec. 2000	Nov. 2000	Dec. 1999
Median Time on the Market	25.1 Days	25.2 Days	28.4 Days
Unsold Inventory Index	2.1 Mos.	2.4 Mos.	2.7 Mos.
Median Sales/List Price Ratio	105.5%	126.5%	110.4%

SOURCE: California Association of REALTORS®



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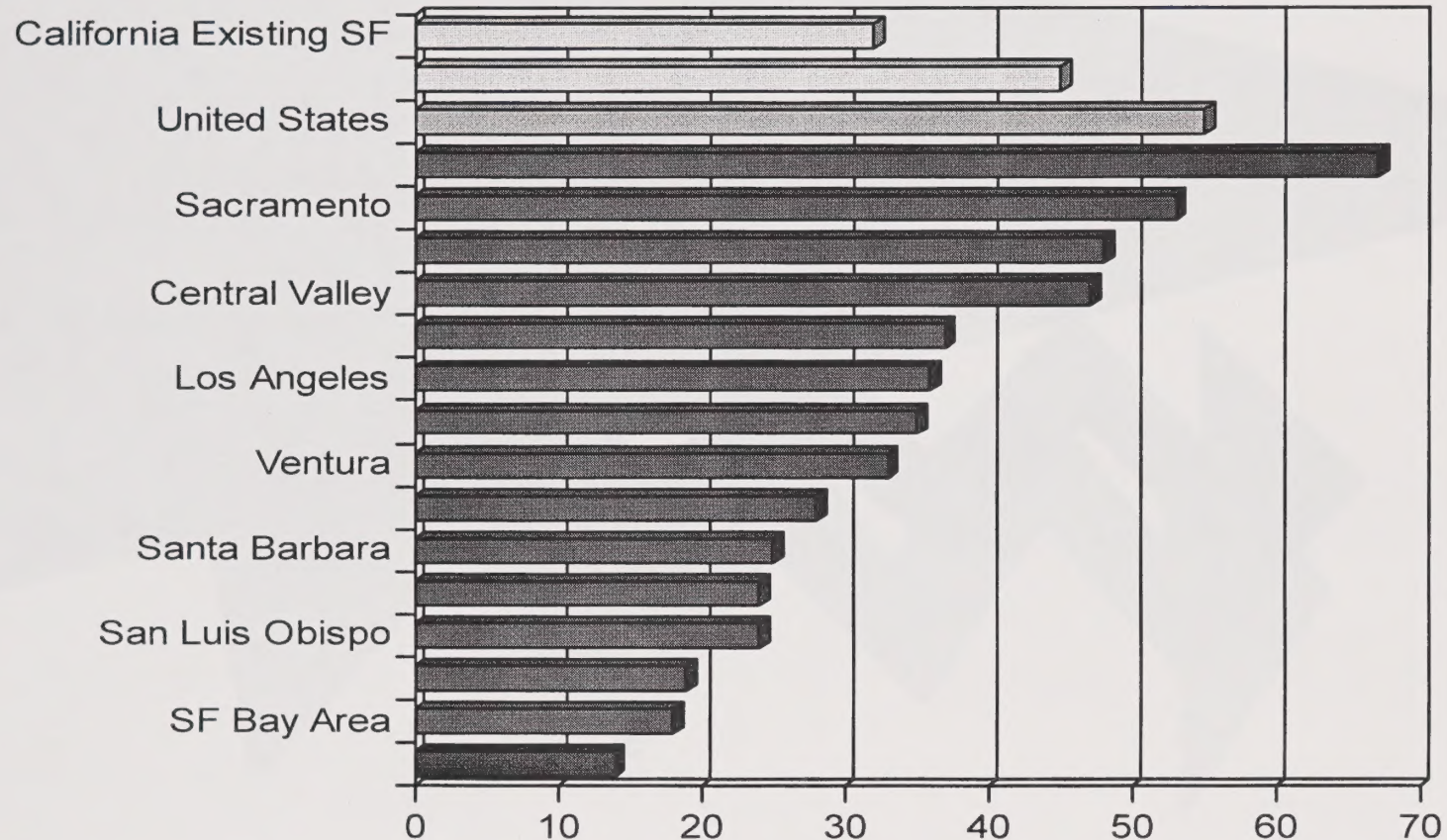
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Limits to Growth?
Regional Economic Outlook

Housing Affordability

December 2000



SOURCE: California Association of REALTORS®



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Limits to Growth?
Regional Economic Outlook

2001 Forecast



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2002

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Limits to Growth?
Regional Economic Outlook

2001 C.A.R. Economic Forecast

	1999	2000	2001
Job Growth	3.1%	3.5%	2.0%
Population Growth	1.6%	1.8%	1.7%
SF Resales	537,890	535,470	521,010
% Change	6.4%	-3.0%	-2.7%
SF Median Price	221,520	243,390	264,080
% Change	10.7%	11.9%	8.5%



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2001
2002

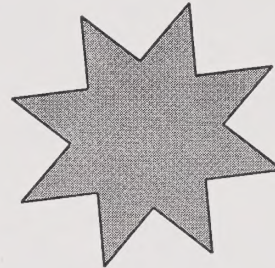
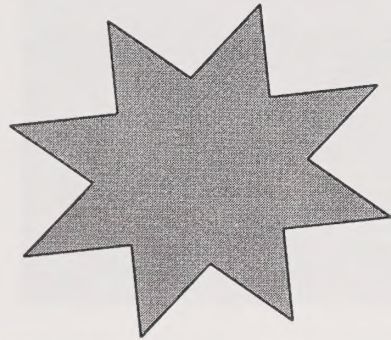
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Limits to Growth?

Regional Economic Outlook

2001: Wild Cards

- ▶ *National Economic Picture*
- ▶ *CA Electricity Crisis*
- ▶ *Job growth*
- ▶ *Housing affordability*



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Limits to Growth?

Regional Economic Outlook

Mining California Gold

20 Years of Real Estate Trends

Written and compiled by
Leslie Appleton-Young, Chief Economist for C.A.R.



CALIFORNIA
ASSOCIATION
OF REALTORS®



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2001
2002

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Limits to Growth?

Regional Economic Outlook



**Trends Monthly Newsletter
County Economic Profile
Quarterly Housing Finance Survey
Internet Vs. Traditional Buyer Survey**

**For Info, Contact: Mary Powers
(213) 739-8352 or email to maryp@car.org**



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2001
2002

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Limits to Growth?
Regional Economic Outlook



Thank You



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2001
2002

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Limits to Growth?

Regional Economic Outlook

RETURN TO: IGSL

LOAN PERIOD	1	2	3
Home Use			
	4	5	6

ALL BOOKS MAY BE RECALLED AFTER 7 DAYS.

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